

## **GOVERNANCE AND AUDIT COMMITTEE**

**MEETING TO BE HELD AT 11.00 AM ON TUESDAY, 23 JULY 2019  
IN COMMITTEE ROOM B, WELLINGTON HOUSE, 40-50 WELLINGTON  
STREET, LEEDS**

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### **A G E N D A**

- 1. APOLOGIES FOR ABSENCE**
- 2. DECLARATIONS OF DISCLOSABLE PECUNIARY INTERESTS**
- 3. EXCLUSION OF THE PRESS AND PUBLIC**
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AUDIT COMMITTEE HELD ON 21 MARCH**  
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- 5. GOVERNANCE ARRANGEMENTS AND FORWARD PLAN**  
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**Signed:**

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

**Managing Director  
West Yorkshire Combined Authority**



**MINUTES OF THE MEETING OF THE  
GOVERNANCE AND AUDIT COMMITTEE  
HELD ON THURSDAY, 21 MARCH 2019 AT COMMITTEE ROOM B,  
WELLINGTON HOUSE, 40-50 WELLINGTON STREET, LEEDS**

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**Present:**

Councillor Susan Hinchcliffe	Bradford Council
Councillor Shabir Pandor	Kirklees Council
Councillor Barry Collins (Substitute)	Calderdale Council

**In attendance:**

Mark Kirkham	Mazars Auditors
Mark Dalton	Mazars Auditors
Angela Taylor	West Yorkshire Combined Authority
Russell Gott	West Yorkshire Combined Authority
Jonathan Sheard	West Yorkshire Combined Authority
Dave Haskins	West Yorkshire Combined Authority
Ben Kearns	West Yorkshire Combined Authority

**37. Apologies for Absence**

Apologies for absence were received from Andy Clayton, Councillor Hall and Councillor Swift.

It was agreed that Councillor Hinchcliffe would take the Chair.

Councillor Hinchcliffe noted that it was Councillor Collins' last meeting of the Governance and Audit Committee as he was standing down as a Councillor in May. Members wished to thank him for all his hard work over the years as well as his contribution to the Committee.

**38. Declarations of Disclosable Pecuniary Interests**

There were no declarations of disclosable pecuniary interests made by members at the meeting.

**39. Exclusion of the Press and Public**

There were no items requiring the exclusion of the press or public.

**40. Minutes of the Meeting of the Governance and Audit Committee held on**

**17 January**

**Resolved:** That the minutes of the Governance and Audit Committee held on the 17 January be approved.

**41. External Audit Progress Report**

The Committee considered a report which presented Mazars's external audit progress report to the Committee.

The Committee noted that Mazars had completed their interim audit fieldwork. Appendix 1 to the submitted report provided an update on the audit work already completed as well as a schedule for the rest of the year. It was reported that after early substantive testing of key systems and controls there were no matters to bring to the Committee's attention.

Mazars informed the Committee that work was on track and pointed Members to the national publications provided in Appendix 1 for their information.

It was noted that a full audit report would be provided to the next meeting of the Committee.

At the last meeting of the Governance and Audit Committee Mazars requested a response to a number of questions regarding the Committee's overview of arrangements. A draft response to these questions was attached at Appendix 2.

The Committee discussed the proposed responses and noted the benefit of having an independent Chair of the Governance and Audit Committee as a strength of the audit process for the Combined Authority and a major comfort to the Committee. It was noted that Andy Clayton, Chair of the Governance and Audit Committee, had seen the draft response. It was agreed that the Committee would approve the response with the inclusion of a reference to the benefits of an independent Chair.

**Resolved:**

- (i) That the Committee note the external audit progress report at Appendix 1.
- (ii) That the Committee approve the response to Mazars at Appendix 2, subject to the amendment as set out above.

**42. Internal Audit Progress Report**

The Chair noted that Russell Gott, the Internal Audit Manager, was leaving the Combined Authority and wished to thank him for his hard work and particularly recognise the improvements to the Combined Authority's auditing process while he had been in post.

The Committee considered a report which provided an update of the work undertaken by the Internal Audit section from 1 April 2018 to 28 February

2019.

The Committee noted that an External Quality Assessment had been carried out to assess the Internal Audit Section's compliance with Public Sector Internal Auditing Standards. A draft report had been completed which concluded that the Internal Audit section 'Generally Conforms with the Definition of Internal Auditing, the Code of Ethics and the Public Sector Internal Audit Standards'. It was noted that this was the highest rating available and that the full report would be brought to a future meeting of the Committee.

A summary of work undertaken by Internal Audit was attached at Appendix 1. The Committee noted the opinions provided on the audit of GDPR and Tendered Subsidised Bus Services.

In respect of Tendered Subsidised Bus Services it was noted that it was vital for the Combined Authority to ensure value for money and to improve the monitoring of performance. It was noted that recent changes to the procurement team presented an opportunity to use their expertise to address any concerns arising from the internal audit.

It was suggested that a note could be circulated to Members to provide an update on the actions from the bus audit review which would offer reassurance to the Committee that issues identified in the internal audit had been addressed.

**Resolved:** That the report be noted.

#### **43. Strategic Internal Audit Plan**

The Committee discussed a report which sought approval for the Strategic Internal Audit Plan.

The Committee noted that due to the level of change predicted for the Combined Authority it has been decided that the organisation would use an annual plan instead of a three year programme. It was noted that the annual plan for the 2019/20 year would be subject to ongoing review to ensure that changes in organisation risk could be accommodated if necessary.

The Committee noted that the assurance blocks had changed from previous years and that a business intelligence line had been introduced. Members also discussed the importance of the risk register in selecting audit priorities.

**Resolved:** That the Strategic Internal Audit Plan 2019/20 be approved.

#### **44. Compliance and Monitoring**

The Committee considered a report which set out the arrangements for internal control in the West Yorkshire Combined Authority and to update the Committee on its current financial position.

The Committee was updated on the progress of the LEP merger and its

possible impact on the work of the Government and Audit Committee. It was noted that a further report would be provided to the Committee as this work develops.

It was noted that reports to the Governance and Audit Committee which impact the Leeds City Region LEP now need to be considered by the LEP Board and that a mechanism would be developed to ensure that this was the case.

The Committee noted that the new Regulatory and Compliance Board at officer level continued to meet and any identified actions and further information will be provided to the Governance and Audit Committee as the work progresses.

A request for the treasury management team from Leeds City Council treasury team to attend a future meeting of the Committee had been made.

**Resolved:** That the report be noted.

#### **45. Update on 2019/20 Budget**

The Committee considered a report which provided an update on the budget for 2019/20.

Members noted the budget position and that the Committee would receive budget monitoring reports tracking progress against the approved estimates throughout the year.

It was noted that a Capital Strategy was required for the 2019/20 financial year which was attached at Appendix 3 to the submitted report. It was noted that the strategy would be presented to the Combined Authority for approval in April and further work to refine the document would be undertaken in the coming months. Any significant changes would be reported to the Governance and Audit Committee.

Members discussed the challenge of getting accurate capital expenditure for projects being delivered both by partner authorities and the Combined Authority itself. In particular the Committee identified the need for these to be robust as they form the basis of the Capital Strategy and debt forecasting. It was noted that work could be undertaken to assess whether financial forecasting had improved by assessing performance relative to previous years.

The Committee noted that a working group had been established at district level and would examine financial forecasting related to the delivery pipeline. In addition, the Committee was informed that the budget working group could also take this work forward.

Members also discussed the current risk appetite statement attached at Appendix 2. It was suggested that it would be helpful to understand the consequences and relative advantages and disadvantages of those areas marked with a higher risk appetite and supplement the table with that

information.

**Resolved:**

- (i) That the budget position for 2019/20 be noted
- (ii) That the draft Capital Strategy be approved and presented to the Combined Authority.

**46. Local Assurance Framework Review**

The Committee discussed a report which provided an update on the Leeds City Region Local Assurance Framework review.

The final draft Assurance Framework was attached at Appendix 1 and the changes that had been made since the Governance and Audit Committee last saw the draft framework were listed at 2.5 in the submitted report.

The Committee noted that a final draft of the Local Assurance Framework would be presented to the LEP board for approval at their meeting on 26 March.

**Resolved:** That the changes made to the Local Assurance framework, as set out in the submitted report, be approved.

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**Report to:** Governance and Audit Committee

**Date:** 23 July 2019

**Subject:** **Governance arrangements and forward plan**

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**Director:** Angela Taylor, Director of Corporate Services

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

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## 1. Purpose of this report

- 1.1 To note the governance arrangements for the Governance and Audit Committee.
- 1.2 To note the proposed work programme for the year.

## 2. Information

- 2.1 At the Annual Meeting on 27 June 2019, the Combined Authority resolved to appoint the Governance and Audit Committee on the **terms of reference** attached as **Appendix 1** to this report. The only change from the last municipal year is the new footnote to clarify the Governance and Audit Committee's role in relation to the Leeds City Region Enterprise Partnership (the LEP).
- 2.2 **Membership arrangements** remain as for last municipal year at present, but the Combined Authority resolved in principle to appoint a second Independent Member. The appointment of an additional Independent Member should promote accountability and facilitate achieving a quorum. By law, the position must be advertised. The Combined Authority resolved to authorise the Head of Legal and Governance Services to progress the appointment arrangements for this position, including convening an interview panel to make recommendations to the Combined Authority in due course.
- 2.3 The recruitment process is now underway. The Committee is asked for any nominations to the interview panel, with the process supported by the Director, Corporate Services.
- 2.4 No changes have been made to the **quorum** of the Committee, which remains 3, and **voting** arrangements are also unchanged.

- 2.5 The Combined Authority also appointed Andy Clayton as Chair of the Committee.
- 2.6 The Combined Authority also agreed meetings dates for the Committee, as follows:
- 23 July 2019
  - 31 October 2019
  - 23 January 2020
  - 19 March 2020
- 2.7 A proposed forward plan of work is attached as Appendix 2, reflecting the key responsibilities of the Committee and noting that agenda items can be added during the year as required.

### **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 Governance and Audit Committee notes the governance arrangements approved by the Combined Authority at the Annual Meeting on 27 June 2019.
- 7.2 That the Governance and Audit Committee considers the proposed work programme at Appendix 2.

### **8. Background Documents**

None.

### **9. Appendices**

Appendix 1 – Terms of Reference for the Governance and Audit Committee  
Appendix 2 – Draft work programme



## Terms of Reference

### Governance and Audit Committee<sup>1</sup>

The Governance and Audit Committee is authorised<sup>2</sup>:

1. To review and scrutinise the Combined Authority's financial affairs.
2. To review and assess the Combined Authority's risk management, internal control and corporate governance arrangements.
3. To review and assess the economy, efficiency and effectiveness with which resources have been used in discharging the Combined Authority's functions.
4. To make reports and recommendations to the Combined Authority<sup>3</sup> in relation to reviews conducted under paragraphs 1, 2 and 3 above.
5. To consider the findings of a review of the effectiveness of the system of internal control and approve the annual governance statement<sup>4</sup>.
6. To consider and approve the statement of accounts.
7. To consider external audit arrangements and reports, and consider any audit letter from the local auditor following an audit.
8. To promote and maintain high standards of conduct by members and co-opted members of the Combined Authority.<sup>5</sup>
9. To advise the Combined Authority in relation to:

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

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

<sup>3</sup> The LEP's Procedure Rules provide that the LEP Board shall consider any audit reports or recommendations relating to LEP activities.

<sup>4</sup> Regulation 6 of the Accounts and Audit Regulations 2015.

<sup>5</sup> This function does not extend to adopting, revising or replacing the Members' Code of Conduct.

- adopting, revising or replacing its Members' Code of Conduct<sup>6</sup>;
  - appointing at least one independent person<sup>7</sup>;
  - arrangements for investigating and making decisions about allegations of failing to comply with the Members' Code of Conduct.
10. To consider and determine any allegation of failing to comply with the Members' Code of Conduct<sup>8</sup>.
  11. To consider and determine any matter within the delegated authority of a Director<sup>9</sup>, which is referred to the Committee by that Director.

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<sup>6</sup> The Code applies to members and voting co-opted members of the Combined Authority and includes provision about registering and disclosing interests.

<sup>7</sup> In accordance with Section 28(7) Localism Act 2011.

<sup>8</sup> In accordance with arrangements made by the Combined Authority.

<sup>9</sup> A Director, in this context, is any officer to whom functions are directly delegated by the Combined Authority under the Officer Delegation Scheme.

## Governance and Audit Committee draft work programme 2019/20

The following standing items will appear on each agenda:

- External audit update
- Internal audit progress
- Compliance and monitoring (including budgets and risk)
- Scrutiny update

The following items are scheduled for specific meetings:

31 Oct 2019	Annual (external) audit letter Treasury management arrangements Risk management arrangements
23 Jan 2020	Early consideration of internal audit plan for 2020/21 Proposed budget 2020/21
19 Mar 2020	External audit fee letter External audit planning Approval of internal audit plan 2020/21
July 2020	Approval of annual accounts Internal audit annual report Review of internal control

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

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**Report to:** Governance and Audit Committee

**Date:** 23 July 2019

**Subject:** External audit progress report

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**Director(s):** Angela Taylor, Director, Corporate Services.

**Author(s):** Angela Taylor/ Jon Sheard

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## 1. Purpose of this report

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

## 2. Information

- 2.1 A separate report on this agenda covers the work that Mazars have undertaken for their external audit of the annual accounts.
- 2.2 On 29 March 2019 Public Sector Audit Appointments (PSAA) confirmed the outcome of the fees consultation for the 2019/20 audits as follows:

‘Following our recent consultation, Public Sector Audit Appointments (PSAA) has published the [fee scale for the audit of the 2019/20 accounts](#) of opted-in principal local government and police bodies.

PSAA has set the 2019/20 fee scale on the basis that individual scale audit fees for all opted-in bodies are maintained at the same level as 2018/19 unless there are specific circumstances which require otherwise. This continues to give opted-in bodies the benefit of the cost savings achieved in the audit procurement, and continues the practice of averaging firms’ costs so that all bodies benefit from the same proportionate savings, irrespective of the firm appointed to a particular audited body. It also passes on the benefit of economies which PSAA has made in its own operating costs.

Auditors will undertake their work under the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office on behalf of the Comptroller and Auditor General, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditor’s work.’

2.3 For the Combined Authority this means that the audit fee remains unchanged at £25,964. This has been confirmed in the audit fee letter received in April from Mazars, attached as **Appendix 1** that also sets out the assumptions with regard to the audit work involved and reconfirms their commitment to deliver a quality audit service under the terms of their contract.

### **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 outcome of the 2019/20 fees consultation and the fee letter from Mazars.

### **8. Background Documents**

None.

### **9. Appendices**

Appendix 1 – Audit fee letter 2019/20 from Mazars



Ms Angela Taylor  
 Director of Corporate Services  
 West Yorkshire Combined Authority  
 Wellington House  
 40-50 Wellington Street  
 Leeds  
 LS1 2DE

Direct line +44 (0)113 394 5315  
 Email Mark.Kirkham@mazars.co.uk

17<sup>th</sup> April 2019

Dear Ms Taylor

**West Yorkshire Combined Authority – External Audit Fees 2019/20**

Public Sector Audit Appointments Ltd (PSAA) has consulted on its scale of fees for 2019/20. It has not made any changes to the work programme for 2019/20 and scale fees remain at the same level as the previous year. The scale of fees is published at:

<https://www.psaa.co.uk/audit-fees/2019-20-audit-fee-scale/individual-scale-fees-for-local-government-bodies/>

**Fees**

The table below includes our proposed fee, which is in line with the scale fee.

Audit area	Scale fee (2019/20)	Proposed fee (2019/20)	Provisional fee (2018/19)*
Audit of the accounts and VFM conclusion	£25,964 plus VAT	£25,964 plus VAT	£25,964 plus VAT

*\*subject to completion of the 2018/19 work.*

The scale fee assumes that you provide us with complete and materially accurate financial statements, with supporting working papers, within agreed timeframes. It also assumes that the level of risk and complexity associated with your financial statements remains unchanged and that we do not identify any new risks to our VFM conclusion. Where we need to undertake work additional to that planned as part of the fee-setting process, we will communicate with you and PSAA about our fee in line with the requirements of PSAA’s Terms of Appointment which are available from their website.

At this stage, we have not been engaged to undertake any non-audit work, such as grants assurance, for 2019/20.

Mazars LLP – 5th floor - 3 Wellington Place - Leeds - LS1 4AP  
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We are registered to carry on audit work in the UK and Ireland by the Institute of Chartered Accountants in England and Wales. Details about our audit registration can be viewed at [www.auditregister.org.uk](http://www.auditregister.org.uk) under reference number C001139861.

VAT number: 839 8356 73



### **Outline of work programme**

The proposed audit fee covers:

- the audit of your financial statements;
- work to conclude on your arrangements for securing value for money; and
- the assurance we are required to provide to the National Audit Office on the consistency of your Whole of Government Accounts return with the audited financial statements.

If required, we will address any legal challenge work prompted by local electors at the rate prescribed by PSAA.

At this stage we have yet to complete our risk assessment for 2019/20 and we will issue our Audit Strategy Memorandum in early 2020. This will communicate to you the risks that we identify in relation to the work programme outlined above and the action we plan to take in response.

### **Our method statement**

Our contract with PSAA contains a method statement which sets out our commitment to deliver quality audit services, our audit approach and what you can expect from us. We have included a summary of our method statement as Appendix 1 to this letter. This is provided as a benchmark for your Organisation to provide feedback on our performance as its auditor when PSAA issues its satisfaction survey later in 2019.

If you have any queries about the content of this letter, please do not hesitate to contact me or your engagement manager, Mark Dalton.

Yours sincerely,



**Mark Kirkham**

Partner

cc Mr Ben Still – Managing Director

## Appendix 1

### Method Statement - Public Sector Audit Appointments Contract

**West Yorkshire Combined Authority** opted into the Public Sector Audit Appointments (PSAA) Appointing Person scheme which started in 2018/19. PSAA appointed Mazars LLP as auditors, and is responsible under the Local Audit (Appointing Person) Regulations 2015 for monitoring compliance with the contract and is committed to ensuring good quality audit services are provided by its suppliers. Details of PSAA's audit quality monitoring arrangements are available from its website, [www.psa.co.uk](http://www.psa.co.uk).

Our contract with PSAA contains a method statement which sets out the firm's commitment to deliver quality audit services, our audit approach and what clients can expect from us. A summary of the four key themes in our method statement is shown below. It is provided as a guide and reference for liaising with us, and a benchmark for you to provide feedback on our performance to PSAA via its survey in Autumn 2019.

#### Key theme 1 – Knowledge, technical competence and understanding

Your audit team will understand the public sector and the environment within which you operate. They will develop and maintain a deep understanding of your organisation, the opportunities available to you and risks which you are facing. They will do so principally to enable them to discharge their responsibilities under the Code of Audit Practice as effectively as possible, but also to provide constructive challenge and support to your officers and members.

Mazars is committed to the continuing development of all our staff and members of your audit team will access training and development opportunities specifically for their role as public sector auditors. They will also be supported by a team of specialists in public sector audit and financial reporting who are experienced in providing guidance to clients and auditors, and to providing leadership on emerging issues across the sector.

#### Key theme 2 – Quality and efficiency

As explained in our [Transparency Report](#), Mazars is a firm that is committed to quality in everything that we do and this is the core message that underpins our public sector audit work. We have a central team dedicated to supporting our public sector auditors to deliver high-quality services to all clients. You can expect your audit team to have access to the latest technical information, bespoke audit tools developed specially for the sector and access to a suite of specialist training courses.

The way in which we communicate with you and your officers fosters a working relationship built on mutual trust and the objective to deliver a high-quality and efficient audit. Our audit team will work alongside your finance team to ensure a flexible approach to audit resourcing so that we deliver our work when it is convenient with you, as far as statutory deadlines allow.

We are also committed to supporting improvements in the sector, harnessing our knowledge and information gathered from across our public sector and corporate client base. This can be as simple as holding post-implementation meetings with officers following completion of the audit, through to benchmarking and detailed reviews of areas of risk, delivered as part of our Value for Money responsibilities.

### Key theme 3 – Openness and Communication

We value open and honest two-way communication with our clients as we believe that without it, you cannot develop an effective and professional working relationship. You will have access to senior members of your audit team, including the Key Audit Partner and Engagement Manager, at appropriate times throughout the audit cycle. They will be on hand to discuss emerging issues and will work with you and your teams to understand your business, the risks you are facing and the support we may be able to provide.

Your audit team will be available to provide initial views on proposed accounting policy changes, complex or unusual transactions and other matters that may impact upon our opinion on your financial statements or our Value for Money conclusion. Our technical specialists will provide your finance team with an annual financial reporting workshop that will guide them through changes in the CIPFA Code and underlying accounting standards, and provide them with an early view on areas of audit focus.

We understand the importance of effective communication with the Audit Committee, and will ensure that our reports to them are timely and written in an easily understood, jargon-free manner. We will always ensure that a senior member of your audit team attends Audit Committee meetings.

### Key theme 4 – A commitment to social responsibility and social value

We are committed to public sector audit and assurance work, and have set out our commitment by establishing Public Services as one of our core strategic markets. In order to deliver high-quality services to our clients, we understand the need to have skilled and knowledgeable team members and will develop the next generation of public sector auditors and accountants through continuing and expanding our graduate traineeship and school-leaver programmes. We have set targets to ensure that a significant proportion of our entrants through these programmes come from disadvantaged backgrounds that are traditionally under-represented in the accountancy profession. These targets include:

- Taking on an additional 10 Access Accountancy interns in every year of our PSAA contract, taking the total to 30 per year;
- Employing 10 graduates onto our accounting trainee programme, including at least 4 from disadvantaged backgrounds; and
- Increasing the number of entrants to our firm through our school-leaver programme which is focused on attracting candidates from disadvantaged backgrounds.

Your audit team will be actively involved in the corporate social responsibility work that we undertake as a firm. As part of our contract with PSAA, we have committed to granting all of our public sector audit staff an additional day to get involved in charitable and other projects that contribute to their local areas.

Mazars will also be a founding member of the Centre for Social Value which will promote learning on effective local interventions to reduce social inequality and improve social mobility. As one of our clients, you can expect to have opportunities to contribute to research and programmes implemented by the Centre.

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**Report to:** Governance and Audit Committee

**Date:** 23 July 2019

**Subject:** **Internal audit external quality assessment**

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**Director(s):** Angela Taylor, Director, Corporate Services

**Author(s):** Angela Taylor/Bronwyn Baker

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## **1 Purpose of this report**

- 1.1 To inform the Combined Authority of the outcome of the work undertaken for the internal audit external quality assessment.

## **2 Information**

- 2.1 At its last meeting the Committee was advised of the completion of the independent external quality review which assessed the Internal Audit function in relation to compliance with Public Sector Internal Auditing Standards. The conclusion of this review is *“that West Yorkshire Combined Authority’s internal audit activity generally conforms with the definition of Internal Auditing, the Code of Ethics and the Public Sector Internal Audit Standards”* which is the highest rating which can be provided.
- 2.2 The final report including the proposed actions arising as a result of any recommendations for further development was not available at the time of the last meeting and is now attached as appendix 1. The report author, Julie Winham, will attend this meeting and present her report and take any questions from members.
- 2.3 The report was drafted and agreed prior to the Internal Audit Manager’s departure and the timescales for implementing the recommendations did not take this into account. It is proposed therefore that the new Head of Internal Audit considers more realistic timings to address the recommendations and that achievement against this revised action plan be brought to future meetings of this Committee as part of the regular internal audit update report.

## **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 None arising directly from this report.

#### **6 External Consultees**

6.1 This work was undertaken by an independent expert.

#### **7 Recommendations**

7.1 That the Committee note the report and the proposed actions.

#### **8 Background Documents**

None.

#### **9 Appendices**

**Appendix 1** – Independent report.

**West Yorkshire Combined Authority  
Internal Audit Service**

**Public Sector Internal Audit Standards  
External Assessment**

**FINAL REPORT**

**Completed by Julie Winham (CMFIIA)**

**Date of Issue: 9<sup>th</sup> April 2019**

**Contents:**

1. Introduction
2. Scope and Methodology
3. Opinion as to Conformity to the PSIAS
4. Service Improvement Opportunities
5. Summary of Positive Observations
6. Recommendations
7. Limitations
8. Acknowledgements

**Appendices:**

Appendix A - List of Interviewees and Audit Reports Examined

Appendix B - Conformance with the Individual Standards

Appendix C - Observations

**Circulation:**

Ben Still, Managing Director

Members of the Senior Leadership Team

Andy Clayton, Chair of the Governance and Audit Committee

Angela Taylor, Director of Resources

Russell Gott, Internal Audit Manager

## **West Yorkshire Combined Authority - External Assessment**

### **1. Introduction**

- 1.1 This report provides the Director of Resources and other key stakeholders with details of the recent external assessment of West Yorkshire Combined Authority's Internal Audit activity against the Public Sector Internal Audit Standards (PSIAS). These standards require an external review of the Internal Audit activity at least once every five years by a qualified independent reviewer.
- 1.2 This report has been discussed initially with the Internal Audit Manager on the 12th March 2019 and subsequently agreed with the Director of Resources. The results of this External Assessment will be reported to the Combined Authority's Senior Leadership Team (SLT) and the Governance and Audit Committee.
- 1.3 The external assessment builds on the internal self-assessments which are reported to the Governance and Audit Committee in the Service's Annual Internal Audit Report along with the Review of Internal Control and Effectiveness of Internal Audit Report.
- 1.4 The timing of the external assessment coincides with the Combined Authority's own fundamental review of the Internal Audit Service. A Business Case has been prepared which outlines the proposed changes in order to ensure that the Service effectively and robustly supports the evolving organisational assurance requirements and values of the Combined Authority. The Business Case recognises that opportunities exist to enhance the Service in order to provide more effective independent and objective assurance on the activities of the Combined Authority.
- 1.5 It will therefore be important that the results and agreed actions arising from this external assessment are utilised alongside the Business Case in order to enhance the service provided to key stakeholders accordingly.

### **2. Scope and Methodology**

- 2.1 The scope and methodology for the external assessment was agreed by the Governance and Audit Committee on the 1<sup>st</sup> November 2018.
- 2.2 The external assessment has been undertaken by an independent Internal Audit Consultant who is a Chartered Auditor with over 25 years management experience in Internal Auditing.
- 2.3 The external assessment was conducted in conformance with the PSIAS using a combination of enquiry, observation and sample testing techniques.
- 2.4 The focus of the external assessment was to review the degree of compliance that the Combined Authority's Internal Audit activity has with the PSIAS, and to consider and identify any possible areas for service improvement.
- 2.5 The external assessment required an independent desktop review of Authority's own self-assessment against the PSIAS, structured interviews to gain an insight into how the Combined Authority Internal Audit Service operates

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and how they adhere to the Standards. In addition, the external assessment included a review of three Internal Audit reports which were selected by the Assessor. Appendix A provides a list of the interviewees along with details of the audit reports examined.

### **3. Opinion as to Conformity to the PSIAS**

#### **3.1 The overall opinion by the Assessor is that West Yorkshire Combined Authority's Internal Audit activity "Generally Conforms" with the Definition of Internal Auditing, the Code of Ethics and the Public Sector Internal Audit Standards.**

3.2 The guidance issued by the Institute of Internal Auditors suggests a scale of three ratings: "Generally conforms," "partially conforms," and "does not conform." "Generally Conforms" is the top rating and means that the Internal Audit activity has a Charter, policies and processes that are judged to be in conformance with the Standards. "Partially Conforms" means deficiencies in practice are noted that are judged to deviate from the Standards, but these deficiencies did not preclude the Internal Audit activity from performing its responsibilities in an acceptable manner. "Does Not Conform" means deficiencies in practice are judged to be so significant as to seriously impair or preclude the Internal Audit activity from performing adequately in all or in significant areas of its responsibilities.

### **4. Service Improvement Opportunities**

4.1 A detailed list of conformance against the individual professional standards is included at Appendix B.

4.2 The report identifies a number of observations made that the Governance and Audit Committee, SLT and the Internal Audit Service may wish to consider in terms of the future development of the service. These are outlined in Appendix C.

4.3 The fundamental finding arising from the External Assessment relates to the requirement to develop a Quality Assurance Improvement Programme along with an agreed action plan which includes the necessary actions, assignees and timescales for completion of the required actions (Standard 1320). This is noted at Appendix B under the column headed "DNC".

Other significant findings arising from the External Assessment are noted at Appendix B under the column headed "PC" and are as follows:

- (i) The Audit Charter requires amending in order to ensure that it meets the requirements of the Standards. In particular, the requirement to include within the Charter reference to the non-audit duties of the Internal Audit Manager (Standard 1000).

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- (ii) The Internal Audit Manager does not currently hold a professional qualification such as the CMIIA (Standard 1210).
  - (iii) An assurance framework has not been defined in order to identify and determine the approach to using other sources of assurance. In addition, a significant element of the audit plan is devoted to cyclical routine audits which are generally well controlled. Consequently, the focus / emphasis of the current audit plan may not therefore be providing sufficient coverage for the likes of potential strategic or operational risks (Standard 2010 and 2050).
  - (iv) The level of resource imbalance between the audit universe and the actual audit plan is not reported to SLT and the Governance and Audit Committee (Standard 2030).
  - (v) Details of planned work not undertaken along with the rationale is not included within the Internal Audit Annual Report (Standard 2450).
- 4.3 It should be acknowledged that some of the deficiencies go beyond the control of the Internal Audit Service and result in recommendations to senior management of the board of the organisations.
- 4.4 Any developments need to be considered in the context of how they will 'add value' with the available resources both to the Internal Audit Service and to the Combined Authority as a whole. It needs to be recognised that the approach taken is the responsibility and decision of the Director of Resources, SLT, the Governance and Audit Committee and the Internal Audit Manager along with the application of their professional judgement in accordance with the Combined Authority's strategic objectives.

### **5. Summary of Positive Observations**

- 5.1 Based upon discussions with key stakeholders and appropriate documentary evidence, the following good practices were identified during the external assessment:
- (i) The Internal Audit team is helpful / supportive, adds value and contribute to the governance arrangements of the organisation.
  - (ii) The Internal Audit Service effectively contributes to the role of the Governance and Audit Committee by providing reliable and timely information along with professional support and advice.
  - (iii) Internal Auditors exercise due professional care when performing their audit duties.
  - (iv) The Internal Audit Service utilises a comprehensive Procedure Manual which helps the team deliver their obligations.

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- (v) Audit assignments are supported by sufficiently complete and detailed information required to support engagement conclusions and results.
- (vi) Appropriate evidence of supervision and review is retained for audit engagements.

### **6. Recommendations**

6.1 It is recommended that:

- (i) The Director of Resources, as sponsor of this external assessment, presents this report to members of the Senior Leadership Team and the Governance and Audit Committee – the key objective being to utilise the findings alongside the Business Case to help enhance the service provided to key stakeholders accordingly.
- (ii) The Director of Resources along with the Internal Audit Manager utilises the observations and actions to consider from the report to develop a Quality Assurance and Improvement Programme (QAIP) that is maintained as a live document.
- (iii) The Director of Resources presents the QAIP to the Governance and Audit Committee and thereafter reported periodically to monitor progress and the continued development of the Internal Audit Service.

### **7. Limitations**

7.1 The opinions and recommendations contained within the report are based on the examination of restricted samples of transactions and records together with discussions with the officers responsible for the processes reviewed.

### **8. Acknowledgements**

8.1 The independent assessor would like to express their thanks and appreciation to all those who provided support and assistance during the course of the assessment process.

**Interviewees:**

Ben Still, Managing Director,

Angela Taylor, Director of Resources

Russell Gott, Internal Audit Manager

John Sheard, Head of Finance

Andy Clayton, Chair of the Governance and Audit Committee

Mark Dalton, Engagement Manager – Mazars (Telephone discussion)

**Internal Audit Reports Examined:**

Risk Management (date issued: March 2018)

Gifts and Hospitality (date issued: September 2018)

Payroll (date issued: January 2019)

Conformance with the Individual Standards

Quality Assessment Summary	GC	PC	DNC
Overall Evaluation	Y		

Quality Assessment Summary by Major Standard		GC	PC	DNC
<b>1.</b>	<b>Definition of Internal Auditing</b>	Y		
<b>2.</b>	<b>Code of Ethics</b>	Y		
<b>3.</b>	<b>Attribute Standards</b>			
1000	Purpose, Authority and Responsibility		Y	
1100	Independence and Objectivity	Y		
1110	Organisational Independence	Y		
1111	Direct Interaction with the Board	Y		
1120	Individual Objectivity	Y		
1130	Impairment to Independence or Objectivity	Y		
1200	Proficiency and Due Professional Care (Sum of Standards 1210 - 1230)	Y		
1210	Proficiency		Y	
1220	Due Professional Care	Y		
1230	Continuing Professional Development	Y		
1300	Quality Assurance and Improvement Programme (Sum of Standards 1310 - 1320)		Y	
1310	Requirements of the Quality Assurance and Improvement Programme		Y	
1311	Internal Assessments	Y		
1312	External Assessments	Y		
1320	Reporting on the Quality Assurance and Improvement Programme			Y
1321	Use of 'Conforms with the International Standards for the Professional Practice of Internal Auditing	Y		
1322	Disclosure of Non-Conformance	Y		
<b>4.</b>	<b>Performance Standards</b>			
2000	Managing the Internal Audit Activity (Sum of Standards 2010 - 2060)		Y	
2010	Planning		Y	
2020	Communication and Approval	Y		
2030	Resource Management		Y	
2040	Policies and Procedures	Y		
2050	Coordination		Y	
2060	Reporting to Senior Management and the Board	Y		
2070	External Service Provider and Organisational Responsibility for Internal Auditing	N/A	N/A	N/A
2100	Nature of Work (Sum of Standards 2110 - 2130)	Y		
2110	Governance	Y		

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2120	Risk Management	Y		
2130	Control	Y		
2200	Engagement Planning (Sum of Standards 2210 - 2240)	Y		
2210	Engagement Objectives	Y		
2220	Engagement Scope	Y		
2230	Engagement Resource Allocation	Y		
2240	Engagement Work Programme	Y		
2300	Performing the Engagement (Sum of Standards 2300 – 2340)	Y		
2310	Identifying Information	Y		
2320	Analysis and Evaluation	Y		
2330	Documenting Information	Y		
2340	Engagement Supervision	Y		
2400	Communicating Results (Sum of Standards 2410 - 2440)	Y		
2410	Criteria for Communicating	Y		
2420	Quality of Communications	Y		
2421	Errors and Omissions	Y		
2430	Use of 'Conducted in Conformance with the International Standards for the Professional Practice of Internal Auditing'	Y		
2431	Engagement Disclosure of Nonconformance	Y		
2440	Disseminating Results	Y		
2450	Overall Opinion		Y	
2500	Monitoring Progress	Y		
2600	Communicating the Acceptance of Risks	Y		

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Ref	Observations	Action to Consider / Priority	Management Action / Responsible Officer and Implementation Date
	<b>CODE OF ETHICS</b>		
<b>1.</b>	<b>Standards of Public Life</b>		
1.1	<p>The standards require Internal Auditors to have regards to the Standards of Public Life's Seven Principles of Public Life.</p> <p>The Internal Audit Manager has stated that Internal Auditors understand the principles, however, details of these requirements should be included within the Internal Audit Manual in order to help enhance understanding and obligations.</p>	<p>The Internal Audit Manual should be revised to include details of the Standards of Public Life's Seven Principles of Public Life in order to outline how they impact upon the conduct of Internal Audit staff.</p> <p><b>Priority: Low</b></p>	<p><b>Response</b> Agreed, to form part of the annual review of the Internal Audit Manual.</p> <p><b>Responsibility</b> HOIA</p> <p><b>Timescale</b> Sept 2019</p>
	<b>ATTRIBUTE STANDARDS</b>		
<b>2.</b>	<b>Purpose, Authority and Responsibility (Standard 1000)</b>		
2.1	<p>The professional standards require that the Internal Audit Charter includes the following:</p> <ul style="list-style-type: none"> <li>• Defines the role of internal audit in any fraud-related work;</li> <li>• The arrangements for avoiding conflicts of interest if internal audit undertakes non-audit activities.</li> </ul> <p>At West Yorkshire Combined Authority, the Internal Audit Manager is the designated Money Laundering Officer, Whistleblowing Officer and is responsible for developing the Fraud Response Plan. (Yet to be approved by SLT).</p> <p>It was noted that the Internal Audit Charter does</p>	<p>In order to provide for effective transparency and clarity regarding the role of the Internal Audit Manager, the Charter should be amended to include reference to the additional roles of the Internal Audit Manager i.e. Money Laundering Officer, Whistleblowing Officer and the development of fraud related policies.</p> <p>In addition, the Charter should include the arrangements for avoiding any potential conflicts of interest. For example, review and oversight of such audit work could be undertaken by the Director of Resources.</p> <p><b>Priority: High</b></p>	<p><b>Response</b> To be updated once the Combined Authority (SLT) have approved the Counter-Fraud Policy.</p> <p><b>Responsibility</b> HOIA</p> <p><b>Timescale</b> Sept 2019</p>

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Ref	Observations	Action to Consider / Priority	Management Action / Responsible Officer and Implementation Date
	<p>not include details of the aforementioned non-audit roles of the Internal Audit Manager along with the arrangements for avoiding any potential conflicts of interest.</p> <p>Without clarity / visibility of the Internal Audit Manager's role the potential exists that the independence of the role may be compromised.</p>		
2.2	<p>The standards require that the Charter recognises that Internal Audit's remit extends to the entire control environment of the organisation.</p> <p>It was noted that this requirement has not been addressed within the Charter to help demonstrate the value of what Internal Audit may bring to whole of the organisation's business activities in terms of risk management, governance and controls.</p>	<p>For the purpose of clarity and transparency, the Charter should be revised to recognise that Internal Audit's remit extends to the entire control environment of the organisation.</p> <p><b>Priority: Low</b></p>	<p><b>Response</b> Audit Charter to be reviewed and updated.</p> <p><b>Responsibility</b> HOIA</p> <p><b>Timescale</b> Sept 2019</p>
2.3	<p>The Internal Audit Charter refers to the role of the Chief Audit Executive (CAE) being undertaken by the Head of Internal Audit. However, the role is performed by the Internal Audit Manager.</p> <p>The aforementioned issue gives rise to the risk that the Charter could be perceived as misleading.</p>	<p>For the purpose of clarity and transparency, the Charter should be revised to include the correct title of the designated officer performing the role of the CAE.</p> <p>During the course of this review the structure of the Service was under review and role profiles were being defined. Consequently, the Charter should be amended following approval of the updated role profiles, as appropriate.</p> <p><b>Priority: Medium</b></p>	<p><b>Response</b> Audit Charter to be reviewed and updated.</p> <p><b>Responsibility</b> HOIA</p> <p><b>Timescale</b> Sept 2019</p>
2.4	<p>The Charter refers to the authority of the Governance and Audit Committee which specifies</p>	<p>The authority regarding approval of the budget should be reviewed. The Combined Authority</p>	<p><b>Response</b></p>

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Ref	Observations	Action to Consider / Priority	Management Action / Responsible Officer and Implementation Date
	<p>that the Internal Audit budget is approved by the Governance and Audit Committee.</p> <p>This statement is inaccurate in that the budget is currently approved by the Combined Authority with no consultation to allow appropriate input by the Governance and Audit Committee.</p> <p>In addition, the Internal Audit Manager is not responsible for the day to day management of the Internal Audit Service budget. Director of Corporate Services.</p> <p>The aforementioned issues may adversely impact upon the authority and independence of the Internal Audit activity.</p>	<p>should consider whether the authority and accountability of the Internal Audit activity would be enhanced by the following:</p> <ul style="list-style-type: none"> <li>Ensuring the Governance and Audit Committee have an appropriate level of input and engagement regarding the derivation of the Internal Audit budget prior to approval by the Combined Authority.</li> <li>Devolving the control and ownership of the Internal Audit Budget to the Internal Audit Manager. This may also help ensure that appropriate authority is assigned commensurate with inherent responsibility of the role.</li> </ul> <p><b>Priority: Medium</b></p>	<p>Technically the budget is approved by the Combined Authority. However, it is accepted that G and A should input to the budget before it goes to the CA and that day to day responsibility be assigned to the HoIA.</p> <p><b>Responsibility</b> Director, Corporate Services</p> <p><b>Timescale</b> May 2019</p>
2.5	<p>The Audit Charter has not been revised to incorporate the changes to the professional standards which were introduced from the 1st April 2017 e.g., to reflect the Core Principles for the Professional Practice of Internal Auditing along with the Mission of Internal Audit.</p>	<p>The Internal Audit Charter should be revised to reflect the changes to the professional standards.</p> <p>This would be led by the CAE with consultation as necessary over the more strategic aspects with SLT and the Governance and Audit Committee.</p> <p><b>Priority: Low</b></p>	<p><b>Response</b> Audit Charter to be reviewed and updated.</p> <p><b>Responsibility</b> HOIA</p> <p><b>Timescale</b> Sept 2019</p>
<b>3.</b>	<b>Independence and Objectivity (Standard 1100)</b>		
3.1	<p>The professional standards require that any threats to objectivity are identified and managed at the</p>	<p>In order to enhance the objectivity of Internal Auditors it would be useful to extend the</p>	<p><b>Response</b> Agreed</p>

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Ref	Observations	Action to Consider / Priority	Management Action / Responsible Officer and Implementation Date
	<p>Internal Auditor, engagement, functional and organisational levels.</p> <p>Although Internal Auditors are reminded annually to consider and disclose any perceived or real conflicts of interest, the assignment planning process does not include any prompt to consider whether completion of the audit may give rise to a potential conflict of business interest.</p> <p>Consequently, there is an increased risk that objectivity at auditor level may be compromised.</p>	<p>assignment planning checklist in order to prompt the Auditor to consider whether undertaking the audit would give rise to any real or perceived conflicts of interest.</p> <p><b>Priority: Low</b></p>	<p><b>Responsibility</b> HOIA</p> <p><b>Timescale</b> April 2019</p>
4.	<p><b>Organisational Independence (Standard 1110)</b></p>		
4.1	<p>The professional standards require that the Chief Audit Executive's (CAE) position within the organisational structure is sufficiently senior and independent to be able to provide credibly constructive challenge to senior management.</p> <p>The existing structure of the Internal Audit team does not appear to contain sufficient Senior Management resource to enable the Internal Audit Manager to engage and influence at a more strategic level e.g. attendance at Board level meetings such as the Regulatory &amp; Compliance Board and the Scrutiny Committee.</p> <p>It is acknowledged that suggested changes to the Internal Audit engagement process have been outlined within a recent business case.</p>	<p>The corporate review of the Internal Audit Service should consider the CAE's position within the organisational structure in terms of how Internal Audit discharges and fulfils its role at a senior level.</p> <p>This should also consider the reporting lines with other assurance functions such as the Risk and Compliance / Scrutiny Board, Board meeting attendance and authority levels.</p> <p><b>Priority: Medium</b></p>	<p><b>Response</b> The recent review of the function seeks to allow capacity for the post of Head of Internal Audit to focus more on the strategic element of the role. This will be further developed over the coming year.</p> <p><b>Responsibility</b> Director Corporate Services</p> <p><b>Timescale</b> September 2019</p>

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Ref	Observations	Action to Consider / Priority	Management Action / Responsible Officer and Implementation Date
<b>5.</b>	<b>Proficiency (Standard 1210)</b>		
5.1	<p>The standards require that the designated CAE should hold a professional qualification such as CMIIA/CCAB or equivalent.</p> <p>Although the Internal Audit Manager has a wealth of audit experience and applied for CMIIA status through the Institute's chartered by experience route, he does not currently hold the full CMIIA qualification.</p>	<p>The designated CAE should hold a professional qualification such as CMIIA or CCAB.</p> <p>This should help to provide the necessary confidence to the Governance and Audit Committee that the appointed CAE credentials include the appropriate knowledge/skill level required of the role.</p> <p><b>Priority: High</b></p>	<p><b>Response</b> The HOIA will attend a "Chartered by Experience" assessment centre at the Institute of Internal Auditors in London.</p> <p><b>Responsibility</b> HOIA</p> <p><b>Timescale</b> May 2019</p>
5.2	<p>The standards require that up-to-date job descriptions should exist that reflect roles and responsibilities and that personal specifications define the required qualifications, competencies, skills, experience and personal attributes.</p> <p>The draft Job Profile in respect of the Head of Internal Audit was examined. It was noted that the Job Profile did not include reference to the requirement for professional responsibilities to comply with the PSIAS.</p> <p>The Internal Audit Manager has acknowledged that this would be addressed as part of the current review of all job descriptions which is expected to be implemented by 1<sup>st</sup> April 2019.</p>	<p>Internal Audit Job Profiles should include clear reference to the PSIAS.</p> <p><b>Priority: Medium</b></p>	<p><b>Response</b> Role profiles will be developed as part of the organisational development process</p> <p><b>Responsibility</b> HOIA</p> <p><b>Timescale</b> May 2019</p>
5.3	<p>The professional standards require that the internal audit activity collectively possess or obtain the skills, knowledge and other competencies required</p>	<p>The required level of IT resource should be procured as soon as possible.</p>	<p><b>Response</b> Agreed</p>

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Ref	Observations	Action to Consider / Priority	Management Action / Responsible Officer and Implementation Date
	<p>to perform its responsibilities.</p> <p>It has been acknowledged within the recent Internal Audit Business Case that the activity would benefit from a specialist IT resource in order to evaluate ICT security risks.</p> <p>The Governance and Audit Committee and SLT are aware of this issue via the Emerging Audit Plan Report and Final Audit Plan documents.</p> <p>However, the additional specialist resource has not yet been engaged / procured in order to effectively audit IT related risks / activities.</p>	<p>Resource levels should be monitored in order to ensure that the level is sufficient and that the work performed provides value for money and meets the needs of the business.</p> <p><b>Priority: Medium</b></p>	<p><b>Responsibility</b> HOIA</p> <p><b>Timescale</b> May 2019</p>
<b>6.</b>	<b>Internal Assessments (Standard 1311)</b>		
6.1	<p>The standards require that internal assessments include ongoing monitoring of the internal audit activity which includes routine quality monitoring processes. Although quality performance indicators are included within the Internal Audit Annual Report, quality performance related information is not included within the regular progress reports to the Governance and Audit Committee.</p> <p>In addition, the annotated comments provided by auditees are not routinely reported to the Governance and Audit Committee. However, the Assessor was informed that that any significant feedback would be included within the Internal Audit Annual Report.</p>	<p>In order to enhance the visibility of the results of quality monitoring the feedback from clients should be included within the Internal Audit Progress Report along with any annotated feedback details.</p> <p><b>Priority: Medium</b></p>	<p><b>Response</b> Agreed</p> <p><b>Responsibility</b> HOIA</p> <p><b>Timescale</b> July 2019</p>

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Ref	Observations	Action to Consider / Priority	Management Action / Responsible Officer and Implementation Date
6.2	<p>The standards require ongoing performance monitoring which includes comprehensive performance targets. It was noted that such performance related information does not include the percentage of recommendations implemented by the agreed due date.</p> <p>This issue is reinforced as at the time of the external assessment several audit report recommendations had remained outstanding for a relatively long period of time.</p>	<p>In order to provide for a more robust and transparent performance monitoring system, performance related information should include the percentage of recommendations implemented by the agreed due date.</p> <p><b>Priority: Medium</b></p>	<p><b>Response</b> Agreed</p> <p><b>Responsibility</b> HOIA</p> <p><b>Timescale</b> July 2019</p>
6.3	<p>A performance measure is utilised to measure the number of days taken to issue the final report from the date of the post audit meeting / closure of the audit report.</p> <p>A target of 90% of audit reports are expected to be issued within 5 days of the post audit meeting / closure of the audit report. The 2017/18 Annual Report states that actual performance fell short of expected standard which equated to 72%.</p> <p>Stakeholder feedback suggests that insufficient time is allowed in order to adequately finalise the audit report.</p> <p>There is therefore some justification to review the performance measure with a view to increasing the number of days for both the Auditor and the Auditee to finalise reports in order to ensure the accuracy of final reports and audit report recommendations remaining outstanding.</p>	<p>The performance measure utilised to measure the number of the days taken to issue a final report should be reviewed and appropriate timescales derived.</p> <p><b>Priority: High</b></p>	<p><b>Response</b> Agreed</p> <p><b>Responsibility</b> HOIA</p> <p><b>Timescale</b> July 2019</p>

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Ref	Observations	Action to Consider / Priority	Management Action / Responsible Officer and Implementation Date
	As part of the roll out of the new structure the intention is to increase the level of dialogue and engagement with SLT members. This should provide an opportunity to address issues such as the timescales for dealing with Internal Audit reports.		
<b>7.</b>	<b>Quality Assurance and Improvement Programme (Standard 1320)</b>		
7.1	<p>The standards require the development of a Quality Assurance and Improvement Programme (QAIP) that covers all aspects of the Internal Audit activity.</p> <p>Although the Charter refers to the requirement to develop a QAIP, an action plan has not been defined, agreed and presented which includes the necessary actions, assignees and timescales for completion of the required actions.</p> <p>Consequently, an effective mechanism does not exist to provide the latest position visibly and to monitor progress against the QAIP.</p>	<p>The results of the QAIP should be presented in the form of a structured and appropriate improvement plan, which includes the necessary improvement actions, assignees and timescales for completion of the required actions.</p> <p>The QAIP should be reported as part of the Internal Audit Annual Report and Internal Audit Effectiveness Report along with the progress against any required actions.</p> <p><b>Priority: High</b></p>	<p><b>Response</b> Agreed</p> <p><b>Responsibility</b> HOIA</p> <p><b>Timescale</b> July 2019</p>
7.2	<p>The Institute of Internal Auditors provides a checklist in order to assess compliance against the PSIAS.</p> <p>This checklist has been completed by the Internal Audit Manager. It was noted that levels and details of evidence were not always sufficient to support compliance with the PSIAS.</p>	<p>The PSIAS checklist should be expanded to demonstrate the level of compliance the Internal Audit activity is achieving against the specified standards.</p> <p>In doing so, the information provided by the Assessor should be considered to assist this process.</p>	<p><b>Response</b> Information demonstrating compliance with elements of the checklist will be enhanced as part of the annual review of effectiveness.</p> <p><b>Responsibility</b> HOIA</p> <p><b>Timescale</b></p>

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Ref	Observations	Action to Consider / Priority	Management Action / Responsible Officer and Implementation Date
		Priority: Low	July 2019
	<b>PERFORMANCE STANDARDS (Managing the Internal Audit Activity)</b>		
8.	<b>Planning (Standard 2010) and Coordination (Standard 2050)</b>		
8.1	<p>The Internal Audit Business Case acknowledges that the organisation has not yet defined an assurance framework in order to identify and determine the approach to using other sources of assurance.</p> <p>In the absence of such, the Internal Audit Annual Plan of activities is based on the application of an Audit Risk Assessment across the audit universe which considers a number of factors e.g., value of transactions, results of previous audit work, date since previous audit.</p> <p>It was noted that a significant element of the audit plan is devoted to a programme of grant certification work and annual reviews of financial systems. Over one quarter of the 2018/19 audit plan is devoted to these types of audit work.</p> <p>Although it has been acknowledged that a degree of continuous assurance is required, such audits are cyclical routine audits which are generally well controlled. In addition, such audit work doesn't appear to be directly present any strategic or operational risk nor is consistent with the Combined Authority's priorities and the three lines</p>	<p>The development of an assurance framework should be a priority.</p> <p>The Internal Audit Manager should review the risk-based planning methodology with a view to ensuring that the assessment takes account of the strategic and operational risks along with three lines of defence model.</p> <p>The SLT should be consulted in order to have oversight and the opportunity to input to the approach to ensure that it is appropriate and value adding to the organisation.</p> <p><b>Priority: High</b></p>	<p><b>Response</b> 2019/20 Strategic Audit Plan considers corporate risk information, objectives and provides links to risk categories. However, it is acknowledged that risk reporting arrangements are still being developed and there is a dependency on Internal Audit's knowledge of the operations and associated risks when identifying and prioritising assurance activity. It is an objective to develop second line defence management assurance reporting which, with the enhancement of the risk framework, will facilitate a shift in approach to Internal Audit activity.</p> <p><b>Responsibility</b> HOIA</p> <p><b>Timescale</b> Dec 2019</p>

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	<p>of defence model.</p> <p>The focus / emphasis of the current audit plan may not therefore be providing sufficient coverage for the likes of potential strategic or operational risks.</p> <p>Several officers interviewed reinforced this issue and suggested that the audit approach could be reviewed to include more consultancy type work e.g. more involvement in new systems and developments along with a programme of risk based themed reviews aimed at assessing a number of cross cutting risk areas.</p> <p>The involvement and support of the SLT collectively would ideally be required in order to assess whether the Combined Authority would benefit from a change to the existing audit methodology.</p>		
8.2	<p>It was noted that the terminology applied to the risk based annual audit plan is not always consistent with the corporate risk management system e.g. the audit plan is based on risk categories whereas the Corporate Risk Register refers to risk types.</p> <p>Consequently, this may adversely impact upon the effectiveness of the audit planning process.</p>	<p>The terminology applied to the risk based annual audit plan should be consistent with the Corporate Risk Management System.</p> <p><b>Priority: Low</b></p>	<p><b>Response</b> Risk categories used corporately and within the Internal audit Plan are broadly in line. However, it is accepted that some minor amendments are required.</p> <p><b>Responsibility</b> HOIA</p> <p><b>Timescale</b> Dec 2019</p>

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Ref	Observations	Action to Consider / Priority	Management Action / Responsible Officer and Implementation Date
<b>9.</b>	<b>Resource Management (Standard 2030)</b>		
9.1	<p>The Internal Audit Service comprises a relatively small team and it has been recognised by both the Internal Audit Manager and the organisation that sufficient resources are not available to audit all audit activities within the audit universe.</p> <p>However, the level of resource imbalance between the audit universe and the actual audit plan is not currently reported to SLT and the Governance and Audit Committee.</p> <p>This would help to ensure awareness and thereby enable due consideration to be given to the current audit resource and ascertain whether it should be augmented in any way or not.</p>	<p>The level of resource imbalance between the audit universe and the actual plan should be reported to SLT and the Governance and Audit Committee within the Annual Plan Report to enable both awareness and potential review.</p> <p><b>Priority: High</b></p>	<p><b>Response</b> The requirement for independent assurance is identified before any assessment of audit resource is calculated. At this point an evaluation of how the plan can be achieved, in house team or in house plus external resources, is made. The underlying objective is to provide sufficient work on which an opinion of the entire control, risk management and corporate governance arrangements can be delivered. Audit activities not included within the plan are regarded as low risk. Internal Audit will review this approach and consult with stakeholders concerning this observation.</p> <p><b>Responsibility</b> HOIA</p> <p><b>Timescale</b> Dec 2019</p>
<b>10.</b>	<b>Engagement Planning (Standard 2200)</b>		
10.1	<p>An Internal Audit Project Brief / Terms of Reference is completed for each audit assignment. It was noted that the timing and resource allocation details are not included within the Project Brief / Terms of Reference.</p> <p>Consequently, the auditee is not fully aware of such details prior to the commencement of the</p>	<p>The Internal Audit Project Brief / Terms of Reference should be amended to include the timing and resource allocation details accordingly.</p> <p><b>Priority: Low</b></p>	<p><b>Response</b> Agreed</p> <p><b>Responsibility</b> HOIA</p> <p><b>Timescale</b> April 2019</p>

West Yorkshire Combined Authority - External Assessment

Appendix C

Ref	Observations	Action to Consider / Priority	Management Action / Responsible Officer and Implementation Date
	<p>review. The absence of such information may be contributing to the negative feedback in respect of the timeliness of the completion of audit work as reported within the 2017/18 Annual Report.</p> <p>This issue was reinforced following feedback from stakeholders obtained during the course of this external assessment</p>		
11.	<b>Engagement Scope (Standard 2210)</b>		
41 11.1	<p>The scope of consulting / advisory engagements is not documented and agreed with management prior to undertaking the work.</p> <p>This issue gives rise to the risk that management may not be clear as to the remit of Internal Audit and also the expected outputs arising from such work. This may also present a missed opportunity to utilise outputs to inform the annual assurance opinion.</p> <p>Although the extent of this type of work is minimal, the intention is for Internal Audit to undertake more of this type of work moving forward. This has been acknowledged within the recent Business Case.</p> <p>In addition, feedback from stakeholders obtained as part of the assessment process reinforced this issue.</p>	<p>The scope of significant consulting / advisory engagements should be documented and agreed with management in the form of a terms of reference prior to undertaking the work.</p> <p><b>Priority: Medium</b></p>	<p><b>Response</b> To be included in the review and development of the Internal audit Charter.</p> <p><b>Responsibility</b> HOIA</p> <p><b>Timescale</b> Sept 2019</p>

West Yorkshire Combined Authority - External Assessment

Appendix C

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Ref	Observations	Action to Consider / Priority	Management Action / Responsible Officer and Implementation Date
<b>12.</b>	<b>Use of 'Conducted in Conformance with the PSIAS (Standard 2430)</b>		
12.1	<p>The standards state that Internal Auditors should report that engagements are 'conducted in conformance with the PSIAS' (if the results of the QAIP support such a statement).</p> <p>It was noted that although the Project Brief / Terms of Reference refers to the PSIAS, the current report format does not include reference to such. Consequently, there is a missed opportunity to evidence that the service follows professional standards.</p>	<p>Once the appropriateness of this assessment and the accompanying QAIP has been agreed and implemented, the wording of various Internal Audit Reports and documents should be amended to include reference to engagements being conducted in conformance with the PSIAS.</p> <p><b>Priority: Low</b></p>	<p><b>Response</b> Agreed</p> <p><b>Responsibility</b> HOIA</p> <p><b>Timescale</b> April 2019</p>
<b>13.</b>	<b>Disseminating Results (Standard 2440)</b>		
13.1	<p>Internal Audit reports are issued via e-mail. However, details of the recipients of the audit report are not included within the body of the Internal Audit report.</p> <p>This may adversely impact upon the degree of visibility and accountability attached to actioning the recommendations within the Internal Audit report.</p>	<p>Internal Audit reports should include details of the recipients of the report.</p> <p><b>Priority: Low</b></p>	<p><b>Response</b> Agreed</p> <p><b>Responsibility</b> HOIA</p> <p><b>Timescale</b> April 2019</p>
<b>14.</b>	<b>Overall Opinion (Standard 2450)</b>		
14.1	<p>The standards require that the annual internal audit opinion concludes on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.</p>	<p>The assurance opinion noted within subsequent Internal Audit Annual Reports should include reference to the effectiveness of the governance and control framework.</p>	<p><b>Response</b> Agreed</p> <p><b>Responsibility</b> HOIA</p>

West Yorkshire Combined Authority - External Assessment

Appendix C

Ref	Observations	Action to Consider / Priority	Management Action / Responsible Officer and Implementation Date
	<p>It was noted that whilst the annual opinion provided in respect of 2017/18 referred to the adequacy of the governance and control framework, this did not extend to effectiveness.</p> <p>This may therefore result in an insufficiently robust opinion being given in terms of compliance with the Accounts and Audit Regulations 2015.</p>	<p><b>Priority: Medium</b></p>	<p><b>Timescale</b> April 2019</p>
43	<p>14.2 The standards require that the Internal Audit Annual Report includes a comparison of work actually carried out with the work planned.</p> <p>Although the Internal Audit Annual Report acknowledges that changes to the original audit plan have been made in response to changing priorities during the year, details of planned work not undertaken along with the rationale is not included.</p> <p>This adversely impacts on transparency of the work actually completed which contributes and supports the overall assurance opinion.</p>	<p>The Internal Audit Annual Report should include details of the planned audit work which hasn't been undertaken during the year along with the rationale for not completing such work e.g. audit deferred, no longer required.</p> <p><b>Priority: High</b></p>	<p><b>Response</b> Agreed</p> <p><b>Responsibility</b> HOIA</p> <p><b>Timescale</b> July 2019</p>

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**Report to:** Governance and Audit Committee

**Date:** 23 July 2019

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

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**Director(s):** Angela Taylor, Director, Corporate Services

**Author(s):** Angela Taylor

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## **1. Purpose of this report**

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

## **2. Information**

- 2.1 There is a requirement under the Accounts and Audit (England) Regulations 2015 that ‘The relevant body must conduct a review at least once in a year of the effectiveness of its system of internal control.....The findings...must be considered....by the members of the body meeting as a whole.’ There is a further requirement that ‘A larger relevant body must, at least once in each year, conduct a review of the effectiveness of its internal audit. The findings of the review...must be considered, as part of the consideration of the system of internal control ... by the committee or body...’ As a Combined Authority the appropriate body to consider these reviews is the Governance and Audit Committee.
- 2.2 The elements of the system of internal control are set out in the Corporate Governance Code and Framework, approved by the Combined Authority at its annual meeting in June. The Code was extensively rewritten in 2016 compared to the previous version in response to changes required by the revised CIPFA/SOLACE ‘Delivering Good Governance in Local Government: Framework 2016.’ The redrafted Corporate Governance Code and Framework uses the seven principles as recommended by the new Framework. The revised principles reflect changes in local authority governance that have arisen since 2007 when the original guidance was issued, including but not restricted to, new roles and responsibilities, the impact of reduced funding and decisions that need to be made as a result, and the potential risks of working in new collaborative ways. The code is further reviewed, updated and approved at the annual meeting of the Combined Authority.

- 2.3 The review of the system of internal control is in effect set out in the Annual Governance Statement (AGS) which is required to be included in the annual accounts. This sets out the governance framework in place during the year and is in accordance with the guidance set out by CIPFA/SOLACE. It is also informed by the work undertaken by internal audit in the year and their overall conclusion in their Internal Audit Annual Report which is:

*From the work undertaken during the financial year 2018/19 and taking into account other sources of assurance, Internal Audit have reached the opinion that, overall, the Combined Authority's framework of control and governance is operating adequately.*

The full report from the Internal Audit Manager is included under agenda item 9. The AGS for the year to 31 March 2019 is included within the 2018/19 annual accounts which are appended in full to agenda item 11 that seeks the approval of the accounts.

- 2.4 The Director, Corporate Services has undertaken a review of internal audit, considering her knowledge of the team, the information in the Internal Audit annual report which sets out the work undertaken in the year and in particular the external quality assessment. This is covered in detail in agenda item 7 and whilst it makes a number of recommendations for further improvement it does conclude that the audit function meets the required Public Sector Internal Auditing Standards (PSIAS).
- 2.5 The overall conclusion is that the internal audit function complies with the necessary standards and has worked to an adequate standard during the year. There are a few instances of non-compliance with the PSIAS but these are deemed immaterial (they include for instance the non-involvement of the Chair of the Governance and Audit Committee in staffing appraisals for the Internal Audit Manager). There are clearly some areas where performance can be improved and the recently appointed Head of Internal Audit will be considering how to deliver internal audit in the most effective and value added way.

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

**7. Recommendations**

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

**8. Background Documents**

None.

**9. Appendices**

None.

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**Report to:** Governance and Audit Committee

**Date:** 23 July 2019

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

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**Director(s):** Angela Taylor, Director, Corporate Services

**Author(s):** Angela Taylor/Russell Gott

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## **1 Purpose of this report**

- 1.1 To provide the annual Internal Audit report and opinion of the risk management, governance and control environment in operation during 2018/19.

## **2 Information**

- 2.1 Public Sector Internal Audit Standard, PSIAS 2450, requires the Chief Audit Executive to provide an annual report to the Governance & Audit Committee timed to support the Annual Governance Statement. The report must include:
- An annual audit opinion on the overall adequacy and effectiveness of governance, risk and control frameworks (the control environment).
  - A summary of the audit work performed from which the opinion is derived including any reliance placed on work by other bodies.
  - A statement on conformance with PSIAS and the results of the Internal Audit Quality Assurance and Improvement Programme.
- 2.2 In addition, the PSIAS require the Chief Audit Executive to confirm to the Governance & Audit Committee at least annually, the organisational independence of the internal audit activity.
- 2.3 In the context of PSIAS, 'opinion' means that internal audit will have done sufficient, evidenced work to form a supportable conclusion about the activity it has examined.
- 2.4 It should be noted that the opinion for the Combined Authority is that the framework of governance and control has operated adequately. This opinion was provided by the Internal Audit Manager before his departure and following completion of the internal audit work for 2018/19. His annual Internal Audit

report for the Combined Authority is attached to this paper for information as Appendix 1.

### **3 Financial Implications**

3.1 There are no financial implications arising from this report.

### **4 Legal Implications**

4.1 The Accounts & Audit Regulations (2015) require the West Yorkshire Combined Authority to maintain an adequate and effective internal audit.

### **5 Staffing Implications**

5.1 There are no staffing implications arising from this report.

### **6 External Consultees**

6.1 No external consultations have been undertaken.

### **7 Recommendations**

7.1 That the Committee notes the contents of the annual Internal Audit report and opinion.

### **8 Background Documents**

None.

### **9 Appendices**

Appendix 1 – Internal Audit Annual Report & Opinion 2018/19

## **West Yorkshire Combined Authority**

### **Internal Audit Annual Report and Opinion 2018/19**

## Background

UK Public Sector Internal Audit Standards (PSIAS) require the Chief Audit Executive to deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement. The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. The results of work undertaken within the Annual Audit Plan are designed to support the opinion provided in the Annual Internal Audit Report.

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## Information

### Annual Reporting Process

Management are responsible for the system of internal control and should set in place policies and procedures to help ensure that the system is functioning correctly. Internal Audit review, appraise and report on the efficiency, effectiveness and economy of financial and other management controls. This report is the culmination of the work during the course of the year and seeks to:

- Provide an opinion on the overall adequacy and effectiveness of West Yorkshire Combined Authority's (the Combined Authority) framework of governance, risk management and control.
- Provide a summary of the audit work from which the opinion is derived, including reliance placed on work by other service providers.
- State the level of conformance with the UK Public Sector Internal Audit Standards and comment on the results of the Quality Assurance and Improvement Programme.

### Scope and Purpose of Internal Audit

The Combined Authority's statutory responsibilities for maintaining an adequate and effective Internal Audit function are set out under the Accounts and Audit Regulations (2015). The Regulations require that the Combined Authority must:

- undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control;
- make available such documents and records necessary for the purposes of the audit; and
- make available such documents and records necessary for the purposes of the audit; and
- supply information and explanation as considered necessary; and
- at least once in each year, conduct a review of the effectiveness of its internal audit.

The proper internal audit practices are those defined in the Public Sector Internal Audit Standards (PSIAS). The PSIAS set out a definition of internal auditing, a Code of Ethics and mandatory standards for all internal auditors working in the UK public sector. Auditors are also required to adhere to the Code of Ethics of their professional bodies where appropriate. These are the standards to which the Internal Audit service works, with detailed requirements specified in the Combined Authority's internal audit manual.

### Independence of Internal Audit

Internal audit is an independent and objective assurance and consulting activity that is guided by a philosophy of adding value to improve the operations of the Combined Authority. The work of internal audit forms part of the organisation's overall assurance framework providing independent and objective assessment on governance, risk management and internal control. Throughout 2018/19 the Internal Audit function has remained organisationally independent. This is supported through the Internal Audit Charter and a risk-based audit plan being approved by the Combined Authority in April 2018.

### How Internal Control is Reviewed

Internal Audit have developed a risk-based approach to delivering the audit function. References have been made to the Combined Authority's audit universe risk profile which was used to form the basis of internal audit's operational plan. The review process draws on key indicators of risk to the organisation and attempts to ensure that suitable audit time and resources are provided for these areas. Factors used in assessing risk include financial materiality, legislative requirements, previous audit experience, and the potential for fraud. This risk-based approach to audit planning results in a comprehensive range of audits that are undertaken during the course of the year to support the overall opinion on the internal control environment.

### Annual Governance Statement (AGS)

The Accounts and Audit Regulations establish the requirements related to systems of internal control and the review and reporting of those systems. Accordingly, the Combined Authority needs to have in place a process for establishing, maintaining and reviewing the system of internal control and risk management. CIPFA/SOLACE have produced a governance framework for the creation of an Annual Governance Statement (AGS). This has been adopted and applied as proper practice by the Combined Authority. The opinion on governance, risk and internal control provided by Internal Audit, based upon the risk - based audit plan, and is one of the key elements to consider when compiling the AGS.

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### Scope of Internal Audit Opinion 2018/19

In providing our annual audit opinion, it should be noted that assurance can never be absolute. The most that internal audit can provide is a reasonable assurance that

there are no major weaknesses in risk management, governance and control processes.

The matters raised in this report are only those which came to our attention during our internal audit work in the financial year 2018/19 and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

In arriving at our opinion, the following matters have been taken into account:

- The results of all internal audits undertaken during the year ended 31 March 2019.
- The results of follow-up reviews of action taken to address audit recommendations.
- Whether or not any significant recommendations have not been accepted by management and the consequent risks.
- The effects of any material changes in the Combined Authority's objectives and activities.

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## Annual Opinion 2018/19

From the work undertaken during the financial year 2018/19 and taking into account other sources of assurance, Internal Audit have reached the opinion that, overall, the effectiveness of the Combined Authority's framework of control and governance is adequate.

In reaching our opinion the following key factors were considered:

### Risk Management

#### Risk Framework

During the period a review of the Combined Authority's risk management framework was undertaken.

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. The principal matters for consideration include the consolidation of all risk registers throughout the organisation, the structure of reporting and escalation of risk be clearly provided, the development of a risk aware culture and introduction of training and initiatives to support this process. It was also highlighted that additional performance indicators require development to support the reporting and management of risk.

## Governance

### Corporate Governance

The Combined Authority demonstrates how it meets the principles of governance through the review and annual production of its Code of Corporate Governance.

It is recognised that the organisation is responding to significant changes in relation to its purpose, accountability, governance and stakeholders. This demonstrated through the review of governance arrangements conducted throughout 2018/19. This has included consideration of the Authority's structure and terms of reference for meetings and committees along with the development of schemes of delegation. Specific outcomes of this review include the appointment of a Lawyer (Regulatory) & Data Protection Officer along with the development of policies to comply with the introduction of the General Data Protection Regulations.

### Code of Corporate Governance

WYCA demonstrates how it meets the principles of governance through the review and production of its Code of Corporate Governance. It is acknowledged that the organisation is going through a period of significant change in relation to its purpose, accountability, governance and stakeholders and the long term success of recently introduced arrangements will need to be monitored.

## Third-Party Assurance

### Metro Ticket Sales

The Combined Authority offers Metro ticket sales through Rail ticket offices. Under these arrangements, Northern Rail are required to periodically provide information relating to the value of sales, commissions and spoils.

A feature of the overall control environment is that robust systems operate to safeguard ticket income and that provide accurate information concerning sales transactions and levels of ticket stockholding.

For 2018/19, the Combined Authority have been unable to obtain an assurance statement from Northern Rail in relation to the operation of key controls found within their processes.

However, an internal audit review of controls operated by the Combined Authority in respect of income reported for the sale of Metro ticket products through Rail outlets, indicated that there were no apparent material discrepancies identified.

### Treasury Management

Leeds City Council (LCC) provides treasury management and related financial services under the conditions of a service level agreement. Internal Audit have performed some limited testing of aspects of the processes operated under this agreement. In addition assurances provided by LCC, including the certification of financial information and the opinion issued by the council's own internal audit section were obtained and found to be satisfactory.

### Summary of Whistleblowing Cases

Internal Audit continues to act as the primary contact point for the Combined Authority's Whistleblowing Policy. Arrangements to improve accessibility to information and mechanisms to make protected disclosures are provided on the Combined Authority's web site. In addition, information providing details of the Combined Authority's anti-fraud, bribery and corruption arrangements and how to report concerns about suspected fraud and/or corruption were provided to employees.

Further information is provided within the Combined Authority's Disciplinary, Conduct and Capability Policy and Procedure which contains guidance to employees where they suspect that bribery, fraud or corruption may be/have occurred.

In addition, the Whistleblowing Policy for the Leeds City Region Local Enterprise Partnership, LEP, has been updated to incorporate recommendations resulting from the Ney review<sup>1</sup>.

During the period no referrals were made to Internal Audit.

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### Audit Performance

#### Conformance with PSIAS

A self-review of compliance with the UK Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note has been undertaken. This has been delivered through the completion of the checklist for assessing conformance with the PSIAS and Local Government Application Note as produced by the Chartered Institute of Public Finance and Accountancy.

In addition, an external quality assessment of the Internal Audit activity was performed in April 2019.

Both these reviews concluded that, overall Internal Audit complies with the requirements of the definition of Internal Audit, the Code of Ethics and PSIAS.

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<sup>1</sup> Review of LEP governance and transparency conducted by Mary Ney, a MHCLG non-executive director.

#### Areas of Accepted Non Compliance

The self-review has identified two areas for which there is no associated action and by which Internal Audit are proposing to accept the residual risk. This is because after close analysis of the requirement and a review of current controls already in place, the implementation of an action plan to meet the requirement would be disproportionate. Existing controls in place are sufficient and operating well. The two areas of non-compliance are:

- The Chief Executive does not undertake, countersign, contribute feedback to or review the performance appraisal of the Chief Audit Executive.
- Feedback is not sought from the Chair of the Governance and Audit Committee for the Chief Audit Executive's appraisal.

The performance appraisal of the Chief Audit Executive is undertaken by the Director, Corporate Services in line with the Combined Authority's development processes. This is considered as an adequate method of providing feedback on performance.

#### Areas for Action

PSIAS require that the results of the QAIP should be presented in the form of a structured and appropriate improvement plan, which includes the necessary improvement actions, assignees and timescales for completion of the required actions. The key issues identified within the improvement plan are provided below.

#### 1000 Coordination - Authority and Responsibility

In order to provide for effective transparency and clarity regarding the role of the Internal Audit Manager, the Charter should be amended to include reference to the additional roles of the Internal Audit Manager i.e. Money Laundering Officer, Whistleblowing Officer and the development of fraud related policies.

In addition, the Charter should include the arrangements for avoiding any potential conflicts of interest. For example, review and oversight of such audit work could be undertaken by the Director, Corporate Services.

#### Response

To be updated once the revised Counter-Fraud Policy has been approved later in 2019.

### 1320 Quality Assurance and Improvement Programme

The results of the QAIP should be presented in the form of a structured and appropriate improvement plan, which includes the necessary improvement actions, assignees and timescales for completion of the required actions.

#### Response

The QAIP will be reported as part of the Internal Audit Annual Report and Internal Audit Effectiveness Report along with the progress against any required actions.

### 2010 Planning and Coordination (Standard 2050)

The development of an assurance framework should be a priority. The Internal Audit Manager should review the risk-based planning methodology with a view to ensuring that the assessment takes account of the strategic and operational risks along with three lines of defence model.

SLT should be consulted in order to have oversight and the opportunity to input to the approach to ensure that it is appropriate and value adding to the organisation.

#### Response

The 2019/20 Strategic Audit Plan considers corporate risk information, objectives and provides links to risk categories. However, it is acknowledged that risk reporting arrangements are still being developed and there is a dependency on Internal Audit's knowledge of the operations and associated risks when identifying and prioritising assurance activity.

It is an objective to develop second line defence management assurance reporting which, with the enhancement of the risk framework, will facilitate a shift in approach to Internal Audit activity.

### 2030 Resource Management

The level of resource imbalance between the audit universe and the actual plan should be reported to SLT and the Governance and Audit Committee within the Annual Plan Report to enable both awareness and potential review.

#### Response

The requirement for independent assurance is identified before any assessment of audit resource is calculated. At this point an evaluation of how the plan can be achieved, in house team or in house plus external resources, is made. The underlying objective is to provide sufficient work on which an opinion of the entire control, risk management and corporate governance arrangements can be delivered. Audit activities not included within the plan are regarded as low risk.

Internal Audit will review this approach and consult with stakeholders concerning this observation.

### Quality Assurance and Improvement Plan (QAIP)

The QAIP covers all types of Internal Audit activities and is designed to provide reasonable assurance that Internal Audit:

- Performs its work in accordance with its Charter, which is consistent with the Public Sector Internal Audit Standards, Definition of Internal Auditing and Code of Ethics.
- Operates in an efficient and effective manner.
- Is adding value and continually improving Internal Audit's operations.

The external assessment and self-review forms part of internal audit's Quality Assurance and Improvement Program, (QAIP). Other elements of the QAIP require audit assignments to be subject to a supervisory quality check to ensure that the objectives have been achieved and that recommendations made are consistent with the findings and evidence recorded. In addition, feedback questionnaires which ask managers to assess the overall performance of the audit, the auditor's approach, and the quality of the report are issued on completion of each individual review.

### Continuing Professional Development

In a changing environment it is important that Internal Auditors are kept informed of the latest audit methodologies, changes in legislation as well as changes to the public sector arena so they can have the necessary skills and knowledge to fulfil their roles. Primarily, this is provided through the Institute of Internal Auditors professional briefings and the Combined Authority's development review processes aligned with professional competences. This enables strengths and weaknesses to be identified and allows training to be focused on each individual's specific requirements.

### Reporting

Arrangements for reporting on internal audit activities have continued through the Governance and Audit Committee. The Committee's primary roles are to advise the Combined Authority in relation to financial management, internal audit arrangements, the statement of accounts, external audit arrangements and corporate governance matters.

Measures for the recording, reporting and follow-up of audit recommendations have continued through the use of Pentana, the Combined Authority's corporate performance management system.

### Performance Indicators

A range of performance indicators have been developed for Internal Audit based on costs for 2018/19 and other identified timescales. These have been compared with benchmark data produced by the Chartered Institute of Public Finance & Accountancy.

	<u>Actual</u>	<u>Benchmark<sup>2</sup> Average</u>
<b>Cost Per Audit Day</b>	£203 <sup>3</sup>	£308
<b>Mainline Audit Days Per £m Turnover</b>	1.59	1.80
<b>Cost Per Auditor</b>	£32,571	£51,980
<b>Days Per Auditor</b>	160	176
<b>Total Cost per £m Turnover</b>	£526	£554

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#### Annual Audit Plan

Completion of audit reviews identified within the plan – Target	100%
Actual performance	84%

#### Client Feedback

Post audit client questionnaire ratings of “2” or better - Target	90%
Actual performance	80%

#### Issuing Reports

Internal Audit reports to be circulated within 5 working days of audit closure – Target	90%
Actual performance	72 <sup>4</sup> %

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<sup>2</sup> CIPFA auditing benchmark comparator Local Authorities in England

<sup>3</sup> Actual costs are well below the average for public sector Internal Audit functions. This is primarily a reflection of the grading levels of post within the activity throughout 2018/19

<sup>4</sup> Issues have continued to be experienced in relation to the attainment of management responses to audit observations. IA will consider further actions to be introduced in 2019/20 to address this matter

### Client Feedback

As part of internal audit's commitment to ensuring the highest professional standards and to ensure that we are continually improving the quality of work produced, a customer satisfaction questionnaire is issued at the end of each audit assignment. The responses received have been analysed and indicate good scores in most criteria.

The cumulative results from questionnaires completed throughout 2018/19 are:

	Question	1	2	3	4
1	Communication prior to the audit work was appropriate and I was aware of visit dates and audit objectives.	5	6	2	
2	Throughout the audit process I was kept informed of the work being done and issues arising.	5	5	3	
3	Internal audit staff demonstrated a good understanding of the business and associated risks (or took the time to develop such understanding during the audit process).	4	5	4	
4	Internal audit staff demonstrated a pragmatic approach to developing solutions to issues identified during the audit.	4	6	3	
5	The audit report was issued in a timely fashion and was a fair summary of audit findings and management responses.	3	5	5	
6	Internal audit staff acted in a professional manner throughout the assignment.	9	4		
Scale ; 1 = Strongly agree, 2 = Agree, 3 = Disagree, 4 Strongly disagree					

The results of these surveys indicate that the majority of stakeholders are satisfied with the delivery of Internal Audit engagements. However, it is noted that further work is required to improve the timescales for the distribution of audit reports and stakeholders perception of the level of auditors understanding of some aspects of the Combined Authority's operations.

## Audit Plan 2018/19

Details of the work performed by Internal Audit in 2018/19 and audit opinions provided are set out below.

Further information concerning the definition of internal audit assurance opinion categories is provided in the appendix to this report.

Risk Category	Corporate Objective	Assurance Area	Assurance	Direction of Travel
Financial Risk <i>Risk of failing to manage finances in accordance with public sector accounting requirements and funding constraints.</i>				
	Robust Financial Management	Creditors Payments	Defer 19/20	
	Robust Financial Management	Main Accounting – General Ledger	Reasonable	↔
	Robust Financial Management	Debtors, Debt Management	Reasonable	↔
	Robust Financial Management	Treasury Management	Reasonable	↓
	Attainment of Value for Money. Statutory Compliance	Procurement including Tendered Subsidised Bus Service Contracts.	Considered as part of TSBS review	
	Robust Financial Management	Payroll	Reasonable	↔
	Robust Financial Management	Expenses & Allowances – compliance with guidance	Defer 19/20	

Risk Category	Corporate Objective	Assurance Area	Assurance	Direction of Travel
Legal Compliance Risk <i>Risks arising from non-compliance with legislative requirements.</i>				
	Improved Transparency	Gifts & Hospitality	Reasonable	
	Statutory Compliance	Health & Safety - CDM.	Advisory report produced.	
Governance Risk <i>Risk that losses or organisational performance is compromised as a result of unclear authorities, structures and accountabilities</i>				
	Effective Corporate Planning & Performance	Corporate Risk Management Framework	Reasonable	
	Improved Transparency	Code of Corporate Governance Declarations of Members Interest	Substantial	
	Statutory Compliance	Recruitment Procedures & Temporary Employment Arrangements	Defer 19/20	
	Statutory Compliance	Annual Governance Statement	Reasonable	

Risk Category	Corporate Objective	Assurance Area	Assurance	Direction of Travel
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>				
	Bus Services Provision	Prepaid Tickets & Concessionary Fares	Reasonable	↔
	Bus Services Provision	Tendered Subsidised Bus Services Management/Monitoring	Limited	↓
	Retail Services	Metro Travel Centre Operations	Reasonable	↔
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>				
	Delivery of Projects & Programmes Robust Financial Management Attainment of Value for Money. Statutory Compliance	PMO Feasibility and Assurance controls, due diligence/approval management,	Reasonable	First Review

Risk Category	Corporate Objective	Assurance Area	Assurance	Direction of Travel
	Delivery of Projects & Programmes Robust Financial Management Attainment of Value for Money. Statutory Compliance	LTP Management	Reasonable	
	Delivery of Projects & Programmes Robust Financial Management Attainment of Value for Money. Statutory Compliance	Skills Capital	Limited	
Information and Communication Risks				
<i>Failing to provide sufficient, appropriate, consistent and timely information to key</i>				

Risk Category	Corporate Objective	Assurance Area	Assurance	Direction of Travel
<i>internal and external stakeholders.</i>				
	Improved Transparency	Transparency Code Compliance	Reasonable	
	Improved Transparency	Freedom of Information Requests	Substantial	First Review
Data Security/Data Protection Risks <i>Failure to adequately maintain and protect business critical data and appropriately, hold sensitive personal information</i>				
	Statutory Compliance	GDPR Compliance - Project	Limited	First Review
	Statutory Compliance	GDPR Data Breaches, Privacy, Information & Training	Limited	First review
	Secure Systems	Cyber Attack/Systems Penetration testing External report review	n/a	n/a
Counter Fraud				
	Statutory Compliance Robust Financial Management	Pro-active counter fraud, data matching tests	Substantial	
	Statutory Compliance Robust Financial Management	Allowance/contingency to investigate any allegations of suspected fraud, bribery or corruption.	n/a	n/a

Risk Category	Corporate Objective	Assurance Area	Assurance	Direction of Travel
Value for Money	Attainment of Value for Money.	Allowance for value for money reviews of functions and processes in operation	Defer 19/20	
		.		
Consultation		Allowance for the provision of advice in relation to the development and implementation of new or significant changes to systems and processes		
	Secure Systems	Development of Risk Management/Corporate Governance	n/a	n/a
Certification				
	Head of Internal Audit Assurance	Access Innovation Fund	Substantial	↔
	Head of Internal Audit Assurance	Growth Deal Fund	Substantial	↔
	Head of Internal Audit Assurance	Growth Hub Grant	Substantial	↔
	Head of Internal Audit Assurance	Resource Efficiency Fund	Substantial	↔
	Head of Internal Audit Assurance	Local Transport Fund	Substantial	↔
	Head of Internal Audit Assurance	L-CREATE, ERDF & ESIF	Substantial	↔
	Head of Internal Audit Assurance	Strategic Business Growth Fund	Substantial	↔

Risk Category	Corporate Objective	Assurance Area	Assurance	Direction of Travel
Follow up		Allowance for the follow up of progress in implementing agreed actions to significant control weaknesses		
	Head of Internal Audit Assurance	Business Contingency Arrangements	Reasonable	
	Head of Internal Audit Assurance	IT Network Access	Reasonable	
General Contingency		Contingency for the requirement for Internal Audit to perform unplanned work.		
		Flood Resilience Fund	Reasonable	First Review
		BSOG - Certification	Substantial	
		Broadband UK – Annual Certification	Substantial	First Review
		Funding Reviews	n/a	n/a

### Adding Value

Throughout the year we have provided advice over and above the core objectives of giving internal control assurance and recommending effective systems improvements to management.

This included:

- Adding value through the strategic focus of internal audit and adopting a risk-based approach by linking work in the strategic audit plan to the Combined Authority's objectives and risks.
  - We identified changes to the original audit plan in response to changing priorities and activities undertaken in the year.
  - In undertaking our reviews we specifically focused on the Combined Authority's own controls and the wider control environment, providing advice and examples of best practice.
  - We have assisted the Combined Authority in the further development of risk management through consultation and a specific review of risk management and by consideration of risks as part of each individual audit assignment.
  - Undertaken work in addition to the Internal Audit Plan in relation to the development of governance, risk, systems and other project assurance activities.
-

**Appendix**

Rating	Definition
<b>Substantial</b>	<p>There is a sound framework of control in place and the controls are being consistently applied to ensure risks are managed effectively.</p> <p>Some minor action may be required to improve controls.</p>
<b>Reasonable</b>	<p>There is a good framework of control in place and the majority of controls are being consistently applied to ensure risks are effectively managed.</p> <p>Some action may be required to improve controls.</p>
<b>Limited</b>	<p>There is an adequate framework of control in place but the controls are not being consistently applied to ensure the risks are managed effectively.</p> <p>Action is required to improve controls.</p>
<b>Minimal</b>	<p>There is a weak framework of control in place and/or the controls are not being consistently applied to ensure the risks are managed effectively.</p> <p>Urgent action is required to improve controls.</p>

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**Report to:** Governance and Audit Committee

**Date:** 23 July 2019

**Subject:** **Internal Audit Progress Report**

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**Director(s):** Angela Taylor, Director, Corporate Services

**Author(s):** Angela Taylor/Bronwyn Baker

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## **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 The Committee has previously been made aware of the planned resignation of the Internal Audit Manager on 30 June 2019. A recruitment process with the input of the Chair of the Committee has taken place and Bronwyn Baker has been appointed to the position of Head of Internal Audit. She took up her post on 1 July.
- 2.3 The outgoing postholder has overseen the completion of the 2018/19 internal audit plan and his overall audit opinion for 2018/19 was provided under item 9. Whilst some work has commenced on the 2019/20 approved plan this has not yet resulted in any final reports. It is proposed that the new Head of Internal Audit take the opportunity to review the current plan in the light of her experience and audit knowledge, and in effect carry out the usual half year review of the plan over the summer and seek to establish a revised plan. This would include consultation with members ahead of the next meeting of the Committee to enable progress to be made as soon as possible with audit work.
- 2.4 A summary of the reports relating to 2018/19 that have been released by the internal audit section since the last meeting of the Committee are set out below:

## Main accounting systems

- 2.5 The audit work considered the arrangements in place to manage and report on the finance function, the provision of financial information, the policies and procedures in place, the preparation of the financial statements, year end processes, intercompany transactions and journal transactions. The audit opinion is 'reasonable assurance,' the same as the last time these systems were audited. Four low priority recommendations were made and accepted.

## Debtors

- 2.6 The audit work considered a range of controls in place to ensure the accuracy of debtor invoices and credit notes, debt recovery systems and the presence of appropriate procedures. The audit opinion is 'reasonable assurance,' the same as the last time these systems were audited. Three low priority recommendations were made and accepted.

## Risk management

- 2.7 The audit work considered the arrangements and processes in place to support an effective risk management system. The audit opinion is 'reasonable assurance,' an improvement on the previous rating of 'requires improvement.' Two medium and one low priority recommendations were made and accepted.
- 2.8 Since the last meeting of the Committee most of the outstanding audit recommendations, including the high priority ones, made in the last year have been addressed. It is proposed that the new Head of Internal Audit consider the remaining recommendations in conjunction with the audit team and the relevant managers and ensure they are all implemented by the time of the next Committee meeting or an acceptable timescale is agreed and closely monitored. A report will be brought to the next meeting of the Committee.

## **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**

None.

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**Report to:** Governance and Audit Committee

**Date:** 23 July 2019

**Subject:** **Annual Accounts 2018/19**

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**Director(s):** Angela Taylor, Director, Resources

**Author(s):** Jonathan Sheard

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## 1. Purpose

- 1.1 To present to the Committee for their approval the annual accounts for 2018/19 for the West Yorkshire Combined Authority.

## 2. Information

- 2.1 There is a statutory requirement for approval of the annual accounts by 31 July. Mazars and the Combined Authority have worked together to complete this work to this deadline.
- 2.2 The accounts have been presented for audit and Mazars have completed their audit work. This report provides the information required to consider the accounts for approval. The following appendices are attached:

**Appendix 1** Final accounts of the Combined Authority

**Appendix 2** Treasury management statement

**Appendix 3** Audit completion report

- 2.3 The accounts have been prepared on an International Financial Reporting Standards (IFRS) basis in accordance with the CIPFA Code of Practice on Local Authority Accounting UK.
- 2.4 There are a number of accounting matters in the accounts which are drawn to the Committee's attention below.
- 2.5 **International Accounting Standard (IAS) 19 Employee Benefits** requires a particular accounting treatment of pension costs and liabilities. In effect the accounts provide a snapshot in time of the organisation's element of the West Yorkshire Pension Fund at the balance sheet date, based on information from the actuaries. In common with most local authorities this results in a deficit on

the scheme but under the Account and Audit Regulations (England) 2011 this apparent deficit is funded by the creation of a corresponding reserve. The reality is that the deficit in the scheme is being addressed through the annual employer contribution rates set by the actuary and will reduce within the required timescales. The liability will only crystallise should either the West Yorkshire Pension Fund cease to exist or Combined Authority cease to exist without a successor organisation to take on the liability. The Fund has undergone its triennial valuation, underlying assumptions were revisited and employer rates have been reset for the period up to 31 March 2020. The deficit has increased during the financial year 2018/19 from £74.8m to £84.6m as a result of mainly the financial actuarial assumptions changing over the course of the year, and a constructive obligation of £2.6m from two emerging national pension issues, the McCloud Judgement and Guaranteed Minimum Pension (GMP) Equalisation. These required a late stage adjustment to the accounts following on the Government being refused permission to appeal by the Supreme Court on 27 June 2019.

- 2.6 The outcome of the accounting entries for pensions set out in the previous paragraph often results in a negative balance sheet which would ordinarily give rise to a question regarding going concern. For 31 March 2019 this is not the case, due to an increase in cash and an overall strong balance sheet position. In any event it is not thought likely that the pension deficit will crystallise and the Combined Authority is making contributions to address this deficit as determined by the actuary.
- 2.7 The **going concern principle** is always required to be considered as part of the year end process. The IFRS Code's underlying assumption is that accounts shall be prepared on a going concern basis where the functions of the 'authority' will continue in operational existence for the foreseeable future. This assumption is made because local authorities carry out functions essential to the local community and are themselves revenue-raising bodies (with limits on their revenue-raising powers arising only at the discretion of central government). If an authority were in financial difficulty, the prospects are thus that alternative arrangements might be made by central government either for the continuation of the services it provides or for assistance with the recovery of a deficit over more than one financial year. The Combined Authority relies on funding from its constituent members, all of which are local authorities with revenue raising powers, and it is able to levy on them the funding it requires to deliver its services. The Combined Authority's accounts have therefore been prepared on a going concern basis.
- 2.8 **Impairment** – officers have considered, in preparing the accounts, whether there are any circumstances arising in the year that would trigger the need for an impairment review of the carrying value of the properties of Combined Authority. The conclusion is that there are none and this was also supported by the property valuation undertaken by independent surveyors Lambert Smith Hampton.
- 2.9 **Accounting policies** – there are no significant changes to note from last year.

## **Final accounts of the Combined Authority (Appendix 1)**

- 2.10 The Combined Authority's accounts comply fully with the required accounting standards.
- 2.11 The final revenue budget position for 2018/19 was reported to the Combined Authority meeting in June 2019. The final position is a £1.6 million surplus that adds to the general reserves giving a balance of £6.8 million. The year had started with a budgeted £1.4 million deficit, though a forecast undertaken during year estimated a £1 million deficit position with further updates indicating this position was likely to improve further towards the year end. The much improved year end position is mainly attributable to the subsidised bus services savings ahead of target (£1.3 million), reduced concessionary fares costs (£0.4 million) and a combination of early redemption fees and further loan interest accrued on Growing Places loans. Additionally the higher than expected cash balances, reflecting receipt in advance of a number of external funds, has generated £0.8 million of interest over budget.
- 2.12 In comparison to 2017/18 the Combined Authority's balance sheet shows a reduced level in assets. As accountable body for the Leeds City Region Enterprise Partnership, the Combined Authority has been in receipt of Growth Deal payments as well as a number of other upfront grant payments. In the previous years there have been increase in capital grants unapplied of £15 million and in short term investments of £35 million. The capital expenditure for 2018/19 has increased by £13 million (£158 million in 2018/19 and £145 million in 2017/18), some of which have utilised funding already received.

## **Treasury Management statement (Appendix 2)**

- 2.13 The Treasury Management Statement for the year is set out in **Appendix 2**. The budget report to the Combined Authority in February 2019 confirmed the treasury management arrangements in place for the year and no subsequent changes are proposed at this stage. These arrangements and prudential borrowing rules will continue to be applied throughout the coming year.

## **Capital expenditure**

- 2.14 Total capital expenditure in the year was £158 million, funded through a combination of income streams but primarily grants from the Department for Transport and the Department of Communities and Local Government (in relation to the Growth Deal). These included the Local Transport Plan Integrated Transport block funding and highways maintenance grant totalling £42 million which is then utilised by Combined Authority and the constituent District Councils. The Combined Authority also received capital grants for the Clean Vehicle Technology Fund Cycle Safety grant of £4.4 million. Some funding was carried forward from 2017/18, reflecting the change by the Department for Transport in paying multi-year grants in advance. Similarly funding will be carried forward to 2019/20 enabling committed schemes and projects to be delivered despite changes in the timing of delivery.

- 2.15 The Growth Deal funding of £74 million received for 2018/19 plus the carried forward amount from 2017/18 of £35 million have been applied to some £78.5 million of projects originally identified within the programme submitted to government. An overspend on the Growth Deal in year has been accounted for utilising capital grants unapplied and the remaining balance of capital grant unapplied will be utilised on projects that have been re-profiled to 2019/20 and beyond.

### **Audit Completion Report (Appendix 3)**

- 2.16 Mazars have completed their audit work on the annual accounts and their conclusions are set out in their Audit Completion Report which is attached as **Appendix 3**. The Committee is required to consider this report before considering and approving the annual accounts. The Audit Senior Manager Mark Dalton will be in attendance at the meeting to present their report and answer any questions.
- 2.17 The key messages are set out in the Executive Summary on pages 3-4 of the report which states that an unqualified audit opinion, without modification, is anticipated to be given on the financial statements. It also anticipates an unqualified value for money conclusion.
- 2.18 The rest of the report goes on to consider how the significant audit risks identified at the planning stage and the key areas of management judgement have been addressed and the outcome of that work. It also sets out observations on the internal control environment from page 9 onwards. There are four recommendations made in relation to internal control that have been identified. A management response is included for each one that sets out the agreed actions to be taken. The Committee will be aware that a large number of changes are underway within ICT as part of the Corporate Technology Programme which is providing investment to move towards a 'digital first' organisation that can work flexibly with reliable and effective tools and systems enabling better productivity. The recommendations made align with the changes planned to be introduced in the programme and will be fully addressed as part of that implementation.
- 2.19 Some changes from the draft accounts are set out on page 13 and these have been addressed in the final accounts at **Appendix 1**. Other than the adjustment for pensions as set out in paragraph 2.5 they are largely reclassifications and/or presentational and therefore have no impact on the results for the year.
- 2.20 The auditors will require a representation letter to be signed by management. This is a standard part of the process and effectively provides assurances that the Combined Authority has provided all necessary information and disclosures to the auditors. The wording of that representation letter is included on pages 18-20 of Mazars report and the Director, Corporate Services will provide a signed copy of this to the auditors. The letter of representation also confirms that no events have occurred in the period from the completion of the audit to

the date of the signing of the accounts which would require any changes to the accounts.

- 2.21 Mazars are required to issue an audit completion notice by the statutory date of 31 July to confirm that they have completed their work in relation to the annual accounts. There is not a requirement to audit the Whole of Government Accounts submission which will take place in August/September 2019. This is due to threshold changes and the Combined Authority, for 2018/19, falls below the required level.

### **3. Financial implications**

- 3.1 The audit fee is set nationally by Public Sector Audit Appointments Ltd (PSAA) and is included in the Combined Authority's annual budget. Future audit fees will be the subject of a consultation process with the PSAA.

### **4. Legal Implications**

- 4.1 None arising directly from this report.

### **5. Staffing Implications**

- 5.1 None arising directly from this report.

### **6. Recommendations**

- 6.1 That the Treasury Management Statement in **Appendix 2** be recommended for approval.
- 6.2 That Mazars audit completion report be considered.
- 6.3 That the Committee approve the attached annual accounts for the year ended 31 March 2019.

### **7. Appendices**

Appendix 1 – WY Combined Authority – 2018/19 Statement of Accounts  
Appendix 2 – Treasury management statement  
Appendix 3 – Audit Completion Report 2018/19 (Mazars)

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West Yorkshire Combined Authority

***Statement of Accounts***

**For the year ending 31 March 2019**

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# **West Yorkshire Combined Authority**

## **Narrative Report to the Annual Accounts 2018/19**

### **Introduction**

This report provides context to the West Yorkshire Combined Authority's accounts for 2018/19, a year which saw continued success delivering growth through transport and economic development and regeneration.

The West Yorkshire Combined Authority has been the Local Transport Authority for West Yorkshire since 2014 and also has power to exercise economic development and regeneration functions in conjunction with the Local authorities of West Yorkshire. The Combined Authority also includes as members the leader of the City of York Council and the Chair of the Leeds City Region Local Enterprise Partnership (LEP). The Combined Authority has established a Transport Committee, through which it conducts the majority of its Local Transport Authority functions, and an Investment Committee which provides strategic guidance in relation to the investment in and funding of transport and economic development schemes. Membership of the Combined Authority committees is drawn from all Local authorities within West Yorkshire, together with City of York Council.

### **Responsibilities**

The Combined Authority's vision is 'We want Leeds City Region to be recognised globally as a strong, successful economy where everyone can build great businesses, careers and lives.' The Combined Authority is the guiding organisation behind this collective vision, working to ensure it, with local authorities and businesses, is delivering economic prosperity with a high quality of life, supported by world-class connectivity.

With regard to transport the Combined Authority fulfils the functions of the Local Transport Authority and is responsible for determining public transport policies in West Yorkshire, operating the concessionary travel scheme and producing the statutory Local Transport Plan.

With regard to the economy the Combined Authority is the accountable body for the Leeds City Region Local Enterprise Partnership (LEP). The LEP determines the policies and strategies to drive the economic growth and regeneration agenda with the Combined Authority ensuring funding is properly managed to ensure delivery of the interventions required to achieve the growth targets.

The Combined Authority has an important role to play in providing the vehicle for closer partnership working between the local authorities of West Yorkshire and York and the LEP in order to ensure improved economic outcomes for local people. It focuses on the areas that make the most sense to deliver at the city region level.

### **Review of the year**

2018/19 is the fifth year of business for the Combined Authority and the fourth which fully includes the activities and funding of the LEP.

During 2018/19, alongside our external facing work, we have made significant progress with our ambitious programme of internal transformation, deepening our level of partnership working, strengthening our monitoring and evaluation capabilities, and continuing to enhance our accountability and transparency. There has been a continued focus on delivering at pace the projects and services that support the Combined Authority priorities and a focus on ensuring that all the Combined Authority activities are contributing towards delivering inclusive growth that benefits all our communities.

Every year the Combined Authority publishes a Corporate Plan setting out its achievements from the previous year, its priorities for the coming year and how it will deliver these. This includes detail on how it will allocate its budget, its governance processes which ensure transparency and accountability for its investment, and how it will measure success through its key performance indicators (KPIs). The Corporate Plan is available at [www.westyorks-ca.gov.uk/corporateplan](http://www.westyorks-ca.gov.uk/corporateplan).

### **Transforming the organisation**

We continue transforming our organisation to ensure it is in the best possible place to deliver the investment for which we are now responsible and be “mayor-ready” ahead of any devolution deal to the region.

This organisational transformation will continue to be a priority for us during the coming year and beyond and further details are available in both our Strategic Economic Plan (SEP) and Corporate Plan (again available on our website).

### **Meeting the challenges and opportunities ahead...**

The general economic outlook continues to be difficult with the public sector continuing to face funding challenges. The revenue funding for many of the Combined Authority’s activities comes from the West Yorkshire local authorities, with further contributions from them and the other LEP local authorities for some of the economic activities. All areas of the budget are reviewed as part of the Transformational Programme to ensure that resources are focussed on the organisational priorities. Recognising the pressure on local authority budgets the Combined Authority agreed a further cut in the transport levy for 2018/19 and 2019/20 and plans are progressing on the detail of how the agreed savings and cuts can be delivered. The Combined Authority still has significant capital funding through the Growth Deal, the Local Transport Plan funding and the Leeds Public Transport Infrastructure Programme amongst others and further work will continue to be undertaken during 2019/20 to ensure the most effective use is being made of all the capital and revenue income streams available to the Combined Authority, with the focus being the delivery of the objectives and outcomes as set out in the SEP.

An important focus of our work over the next year and beyond will be to ensure we are prioritising the right issues to enable our region to meet the opportunities and challenges of the coming years head-on. More detail can be found in the Corporate Plan with the following a summary of the planned activity:

- **Boosting productivity:** we aim to help businesses to grow and bring new investment into the region to drive economic growth and create jobs. We will support businesses through the Brexit process, help businesses increase their

overseas export activity, attract global investors to the region, maximise the opportunities created by Channel 4's HQ relocation and continue to deliver development projects for our Enterprise Zones.

- **Enabling inclusive growth:** we aim to ensure that economic growth leads to opportunities for all who live and work in our region. We will develop an Inclusive Growth Strategic Framework, embed inclusive growth principles in our business support programmes, help 18,000 disadvantaged students prepare for careers and skills training, support 1,000 people to learn new technical skills, connect over 5,000 homes and businesses to superfast broadband, provide accessible transport services for 5,000 people and enable 40,000 young people to travel from home to school by coordinating services with our partner local authorities.
- **Delivering 21<sup>st</sup> Century transport:** we aim to create efficient transport infrastructure that makes it easier to get to work, do business and connect with each other. We will deliver £60 million improvements to bus, road and rail travel, develop plans to build new railway stations at Elland, Leeds Bradford International Airport, White Rose and Thorpe Park, complete major new road scheme to reduce congestion, help more people feel the health, financial and environmental benefits of cycling and walking, increase the smart travel card MCard sales by 5% and increase digital payment options and travel information displays.
- **Supporting clean growth:** we aim to grow our region's economy while also cutting greenhouse gas emissions. We will set out how we will achieve our ambition to become a zero carbon rated City Region by 2036, continue the delivery of flood prevention schemes, provide sustainable travel advice to businesses, contribute to the installation of ultra-low emission vehicle charging points, enable homes to be warmer, save money and become more energy efficient.

## The accounts

The accounts have been prepared in accordance with The Code of Practice on Local Authority Accounting UK 2018/19 which is based on approved International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards (IAS) Board. The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards. The accounts consist of the following:-

**The Statement of Responsibilities** for the Statement of Accounts, which sets out the requirements for the Combined Authority and the chief financial officer's responsibilities.

**The Annual Governance Statement** is not part of the Statement of Accounts but is required to be provided with them. It provides information regarding the system of internal control during the financial year and covers the effectiveness of this for the Combined Authority.

**The Accounting Policies** which explain the basis for the recognition, measurement and disclosure of transactions and other events in the accounts. This includes the basis of charges to revenue and the calculation of balance sheet items.

**The Movement in Reserves Statement** reconciles the outturn on the income and expenditure account to the balance on the General Fund that is established by complying

with the relevant statutory provisions. It facilitates a full presentation of the financial performance of the Combined Authority for the year.

**The Comprehensive Income and Expenditure Statement** which shows the net cost for the current year of all the services for which the Combined Authority is responsible and demonstrates how that cost has been financed.

**The Balance Sheet** shows the Combined Authority's assets and liabilities.

**The Cash Flow Statement** summarises the inflows and outflows of cash arising from transactions with other parties for revenue and capital purposes.

Following the IFRS Based Code requirements means that the Combined Authority has a significant liability arising from the requirements of IAS19 Accounting for Pension Costs. This requires the Combined Authority to show in their accounts any deficit arising on their proportion of the West Yorkshire Pension Fund obligations as measured by the Actuary. Whilst this is in accordance with the requirements of the Accounts and Audit Regulations 2015 it is offset by a negative Pensions Reserve. However, the impact of the deficit is long term and action is being taken to address it in accordance with the Actuary's projections.

## Review of Revenue Expenditure for the West Yorkshire Combined Authority

	2018/19 Approved Budget	2018/19 Actual
	£m	£m
<b>Funding</b>		
Special Rail Grant	0.9	0.9
LEP General Funding	1.2	1.3
Growing Places Fund Interest	0.2	1.1
Enterprise Zone Receipts	1.9	1.8
Transport levy applied	94.2	94.2
Transfer from / (to) reserves	1.5	(1.6)
	99.9	97.7
<b>Revenue Expenditure</b>		
<b><u>Transport Services:</u></b>		
Concessionary Fares	56.2	55.9
Subsidised Bus Services	18.7	17.4
Passenger Services	6.6	7.4
Rail SRG spend	0.9	0.9
<b><u>Economic Services</u></b>	0.8	0.9
<b><u>Policy, Strategy and Communications</u></b>	5.1	4.0
<b><u>Corporate</u></b>		
Pension&Financing Charges	7.9	6.9
Corporate inc one organisation	3.7	4.3
	99.9	97.7

The presentation above reflects the format in which the original budget was approved by the Combined Authority and provides a useful analysis of expenditure for the users of the accounts. The transfer to reserves figure (£1.6m) is the revenue position for 2018/19. This is lower than the budget set due to a number of savings being realised across the operational areas and increased capitalisation.

### Revenue funding

The Combined Authority's expenditure was met by a levy on the five constituent West Yorkshire local authorities (Bradford, Calderdale, Kirklees, Leeds and Wakefield) and contributions from them and the other LEP local authorities for the economic activities. Funding is also received from government in support of LEP core costs and to fund business and skills activities, such as grants to businesses for apprentices. In 2018/19 grant income of £878k was received from Central Government to cover the administrative costs of managing the rail franchises. Since 1 April 2016 rail franchise payments have been paid via Rail North and not via the Combined Authority. Grants formerly received directly from central Government towards the costs of the English National Concessionary Travel Scheme and rural bus services are now paid to the local authorities as part of the revenue support grant. Income from the LEP Enterprise Zones accrues to the Combined

Authority and a sum of £1.8m has been accounted for in 2018/19, with this set to rise as more businesses locate to the Enterprise Zones.

In 2006/07 the government introduced free local bus travel for senior citizens and disabled passengers and funded this through increases to the revenue support grant provided to the constituent local authorities. There was an uneven distribution between local authorities and the levy was issued to adjust for this with any excess being returned to the local authorities. This agreement has subsequently been continued and the transport levy shown in the accounts for 2018/19 is the net amount.

### **Revenue expenditure**

The net levy available for normal transport purposes was reduced by £1m as that paid to the Combined Authority in 2018/19. The annual amount set aside for the West Yorkshire plus Transport Fund (WY+TF) remained at the same level of approximately £5m. This is in addition to the amounts set aside in previous years for this purpose, demonstrating the local commitment to establishing the WY+TF.

The reduction in the levy for normal transport purposes has only been possible as a result of the approach taken by the Combined Authority to ongoing cost reductions. This includes the continued and successful reduction in costs of tendered bus services, along with the changes to the reimbursement of discretionary concessionary fares. As well as these other efficiency savings have continued to be pursued.

Funding awarded for Economic Services comes from a range of different sources, including UK Government (e.g. Department for Business, Energy and Industrial Strategy and Department for International Trade and the Skills Funding Agency), from the European Union (European Social Fund, European Regional Development Fund and Interreg) and from local sources, such as the Leeds City Region Business Rates Pool. This focusses on helping existing businesses to grow, attracting new business investment to the City Region and addressing skills shortages at all levels.

In common with local government across England, the Combined Authority expects to face challenging financial constraints over the coming years. Work is underway on a challenging programme of review of the services we currently support to enable a balanced medium term financial strategy to be achieved.

### **Capital expenditure**

Total capital expenditure in the year was £158m (please see note 20 page 51), funded through a combination of income streams but primarily grants from the Department for Transport and the Ministry of Housing, Communities and Local Government (in relation to the Growth Deal). These included the Local Transport Plan Integrated Transport block funding and highways maintenance grant totalling £42m which is then utilised by the Combined Authority and the constituent Local authorities, and the £13.9m capital grants for the Cycle City Ambition scheme.

The Growth Deal funding of £74m received for 2018/19 has been applied to £78m of projects within the programme. An overspend in year on the Growth Deal has been accounted from capital grants unapplied in previous years.

The significant capital schemes delivered in the year are set out in the above narrative and as well as these there have also been investments in ICT, new bus shelters, contributions to highways schemes and contributions to rail schemes and car parks and further investment in smartcard technology.

### **Treasury management**

The Combined Authority has continued to follow its approved treasury management policy. Changes to this policy have been made during the year to enable the Combined Authority to better manage its increasing cash balances. There has been significantly more income received in the year with the trend set to continue, as a result of the Combined Authority taking on the responsibility of accountable body for funding awarded to the LEP. This has resulted in short term investment of £99m being invested as at 31 March 2019.

The Combined Authority's long term borrowing remains at £75m at the end of 2018/19. The Combined Authority's borrowing requirement is increasing over coming years, reflecting the capital programme approved on 14th February 2019. This will be periodically reviewed as the West Yorkshire plus Transport Fund and other activities of the Combined Authority are further developed.

### **Statement on the economy, efficiency and effectiveness of Combined Authority in its use of resources**

The Combined Authority in line with other public sector bodies, has always been mindful of the requirement to demonstrate value for money in its activities. This value for money can be described in terms of the 'three Es' of economy i.e. careful use of resources to save expense, time or effort, efficiency i.e. delivering the same level of service for less cost, time or effort and effectiveness i.e. delivering a better service or getting a better return for the same amount of expense, time or effort.

The Corporate Plan and associated budgets are approved by the Combined Authority at the February meeting each year. Plans are underway to develop the medium term financial strategy that will identify spending and saving plans, funding stream and emerging financial risks.

Investment in infrastructure projects is driven by the SEP and all projects are subject to the Appraisal Framework which tests the robustness of each scheme in the pipeline to ensure the strategic fit along with a financial and economic appraisal. The Assurance Framework is reviewed annually by the Combined Authority and by the Department for Business, Energy and Industrial Strategy.

The Corporate Plan is closely linked to the aims of the SEP and provides a vision, mission, objectives and outcomes for the coming years. Clear and measurable targets and outcomes for key priorities are identified, with key performance targets being measured regularly throughout the year.

### **Further Information**

The Combined Authority's accounts can also be supplied in large print, Braille or audiotape. Anyone wanting these options should contact the Combined Authority on 0113 251 7227.

Further information on the Combined Authority is available on its website [www.westyorks-ca.gov.uk](http://www.westyorks-ca.gov.uk)

Address: Wellington House, 40/50 Wellington Street, Leeds LS1 2DE

Telephone for general enquiries: 0113 251 7272

Metroline for travel enquiries etc: 0113 245 7676

LEP Growth Service for businesses seeking support to grow: 0113 348 1818

## **Statement of Responsibilities for the West Yorkshire Combined Authority**

### **1. The Combined Authority's Responsibilities**

The Combined Authority is required:

- To make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In the Combined Authority, that officer was the Director, Corporate Services who is designated as Chief Financial Officer;
- To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- To approve the Statement of Accounts.

### **2. The Chief Financial Officer's Responsibilities**

The Chief Financial Officer is responsible for the preparation of the Combined Authority's Statement of Accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ('the Code of Practice'), is required to present a true and fair view of the financial position of the Combined Authority at the accounting date and its income and expenditure for the year ended 31 March 2019

In preparing this Statement of Accounts, I have selected suitable accounting policies and then applied them consistently, made judgements and estimates that were reasonable and prudent and complied with the Code of Practice.

I have also kept proper accounting records which were up to date and taken reasonable steps for the prevention and detection of fraud and other irregularities.

### **3. Certification of the Accounts**

I certify that the unaudited Statement of Accounts present a true and fair view of the financial position of the West Yorkshire Combined Authority at 31 March 2019 and its income and expenditure for the year ended 31 March 2019.

A Taylor  
Chief Financial Officer

#### **4. Approval of the Accounts**

I certify that the Statement of Accounts was authorised for issue and approved by a resolution of the West Yorkshire Combined Authority Governance and Audit Committee meeting on 23 July 2019 in accordance with the Accounts and Audit Regulations 2015. There are no material events after the balance sheet date that require reflecting in the Statement of Accounts.

Councillor Hinchcliffe  
Chair of the Authority  
July 2019

# **West Yorkshire Combined Authority Annual Governance Statement 2018/19**

## **1. Scope of Responsibility**

West Yorkshire Combined Authority 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 Combined Authority 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 Combined Authority 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 Combined Authority annually approves a Code of Corporate governance consistent with the principles of CIPFA Solace framework "Delivering good governance in Local Government". This framework was updated in 2016 and a revised Corporate Governance Code and Framework approved in 2017 that reflected the new format and content.

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 Combined Authority '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 Combined Authority is directed and controlled and its activities through which it accounts to and engages with the community. It enables the Combined Authority 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 Combined Authority'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 Combined Authority throughout the year ended 31 March 2019 and up to the date of approval of the financial statements.

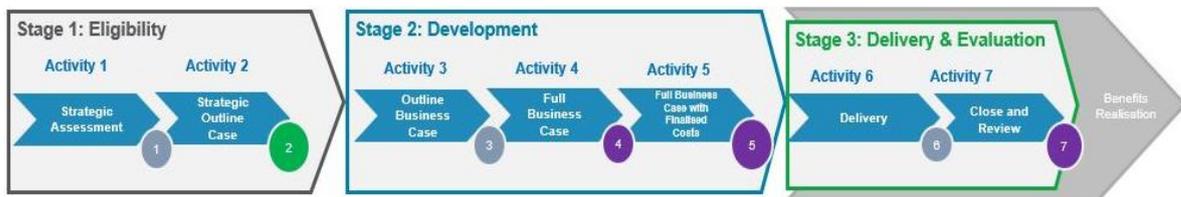
### 3. The governance framework

There are a number of key elements of the systems and processes that comprise the Combined Authority's governance arrangements. These are set out in the revised Corporate Governance Code and Framework which has been approved by the Combined Authority and which is available on its website. The Combined Authority 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. During 2017/18 a review of these arrangements resulted in formalising the LEP advisory panels that provide policy direction and guidance to the LEP Board and these arrangements remained in place for 2018/19, with ultimately financial approvals provided by the Combined Authority.

- a) Corporate policies and objectives are set and communicated by the Combined Authority. The Combined Authority 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). The SEP presents investment priorities across the four pillars of growing business, developing a skilled workforce, clean energy and environmental resilience and delivering the infrastructure for growth. The SEP has been endorsed by both the LEP and Combined Authority Boards and is 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 Local Industrial Strategy.
- b) The LEP panels (with their public and private sector representation) are integrated into the Combined Authority's decision making process as advisory committees, thus providing a consistent, accountable and transparent framework across both the LEP and the Combined Authority, so far as possible. The status of the advisory committees brings the panels under the statutory provisions relating to local authority meetings and the Combined Authority's Members' Code of Conduct.
- c) A review of LEP governance and transparency was carried out during 2017/18 which considered local arrangements and recommendations from the DCLG Review of Local Enterprise Partnership Governance and Transparency (reported by Mary Ney in October 2017). This review led to the adoption of a LEP constitution and associated procedures that have been in place for 2018/19. All documents were reviewed by the LEP, further to the publication by Government of the revised National Local Growth Assurance Framework guidance. All governance documents comply with the guidance published by Government. The outcome of the most recent Annual Conversation carried out by the Cities and Local Growth Unit confirmed that the LEP's governance is considered to be good. This reflected the combined structures implemented during 2017 and the continuous improvement approach to assurance and governance as demonstrated by the review of LEP transparency.
- d) The statutory Local Transport Plan (LTP) in place for 2018/19 was comprehensively revised, and, following public consultation in 2016, the West Yorkshire Transport Strategy was adopted by the Combined Authority on 3 August 2017 and sets out a step change in the quality and performance of the transport system within West Yorkshire and its connections with the rest of the country. It sits within the policy framework of the Combined Authority, with the development of a Leeds City Region Industrial Strategy at its heart, targeted at placing the City Region on the front-foot

with an ambitious policy platform that improves competitiveness and drives inclusive growth outcomes.

- e) 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. The work underway on the Local Industrial Strategy will bring these together to enable a clearer focus on driving economic growth.
- f) The Leeds City Region Assurance Framework is in line with national best practice and is peer reviewed and updated on an annual basis building on existing good practice and reflecting any changes in both government guidance and improvements to the Combined Authority’s procedures. The Assurance Framework was comprehensively reviewed during 2018/19, to comply with the revised National Local Growth Assurance Framework Guidance. Changes were considered and endorsed by a working group of the Overview and Scrutiny Committee and further considered by the Governance and Audit Committee, the LEP Board and the Combined Authority. 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 in the diagram below, with the requirement to meet the intervening activities deemed on a project by project basis. The Investment Committee will consider the majority of projects at these points with the Combined Authority approving all schemes at decision point 2, with subsequent decisions delegated thereafter to the Investment Committee and/or Managing Director (as appropriate).



- g) The Combined Authority’s scrutiny arrangements consist of a politically balanced Overview and Scrutiny Committee of 18 members co-opted from the five West Yorkshire Councils and York. In November 2018, a new Chair was appointed following the previous Chair’s resignation as a councillor. This year the committee has scrutinised the budget, business grants performance, job creation, apprenticeships, strategic transport priorities and the Assurance Framework. In addition, the committee has maintained an overview of developments in devolution, the LEP Review, business planning, accessibility and rail performance issues through two working groups (‘LEP Review’ and ‘Transport’). The committee’s annual report which is a summary of work undertaken and recommendations made in the 2018/19 municipal year, was considered by the LEP Board at its annual meeting on 6 June 2019, and by the Combined Authority at its annual meeting on 27 June 2019.

In addition the Combined Authority continues to assist and advise local Council scrutiny enquiries where the topics affect its sphere of activity. The District

Consultation Sub-Committees in each partner council give a level of local involvement and allow an opportunity to obtain feedback on changes to transport policy and services.

- h) The Combined Authority's Governance and Audit Committee is responsible for overseeing the effective operation of the systems of governance, risk management, internal control (including internal audit) and treasury management. It has responsibility for the approval of the annual accounts. In accordance with changes in legislation an independent member was appointed to the Committee by the Combined Authority at its meeting on 28 June 2018, who chaired the committee during the last municipal year. An officer Regulatory and Compliance Board chaired by the Director, Corporate Services, provides an operational level management and review of internal control, risk, health and safety, information security and governance arrangements in place.
- i) Staff roles are defined and documented through role profiles. 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, Corporate Services), and the Monitoring Officer (Head of Legal and Governance Services).
- j) Staff behaviours are guided by Combined Authority's values and its Code of Conduct and a similar Code exists for elected Members; both employees and Members are required to maintain a register of interests. A code of conduct for LEP Board members has been approved and all Board members completed registers of interest which are available for inspection on the Combined Authority website. The values and behaviours expected of all employees defined in 2016/17 have been further developed and embedded.
- k) The Combined 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, Corporate Services who is a key member of the leadership team and is responsible for the proper administration of the Combined Authority's financial arrangements through a suitably qualified and resourced finance function.
- l) An internal team provide the internal audit service to the Combined Authority. 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.
- m) 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 Combined Authority. 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. Regular reviews and exception reporting are conducted through the officer Regulatory and Compliance Board and through the Member Governance and Audit Committee, including arrangements for risk management.

- n) Risk management is embedded in the activities of the Combined Authority. A Corporate Risk Management Strategy, including a risk policy and risk appetite statement, has been endorsed by the Governance and Audit Committee and sets out the way in which risks are identified, recorded and monitored. A review of the risk management arrangements commenced during 2017/18 with oversight provided by the Governance and Audit Committee and findings of that review are covered in Section 4 – Review of Effectiveness. The risk appetite and a revised corporate/strategic risk register has been is regularly reviewed by the Governance and Audit Committee and the Combined Authority members.
- o) 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. In addition we are building in youth engagement as we develop our bus and transport strategy.
- p) A system of formal procedures, Contracts Standing Orders and Financial Regulations protect the organisation. These are reviewed and approved annually. In February 2017 the Combined Authority approved a revised procurement strategy that seeks to ensure increased transparency in decision making and a focus on encouraging inclusive growth. 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.
- q) External reviews carried out by auditors and other agencies to achieve Customer Service Excellence and other accreditations with any recommendations identified creating a work plan for future improvements.
- r) With regard to the transport ticketing systems the Combined Authority has in place arrangements whereby an enhanced assurance statement is sought from the train operating company Northern stating that their systems have operated adequately with no material errors or weaknesses. Sales through the Payzone network are reconciled to the back office system ensuring that the proceeds from such card sales are fully reimbursed to the Combined Authority.

#### **4. Review of Effectiveness**

The Combined Authority 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 Combined Authority who have responsibility for the development and maintenance of the internal control environment, and also by comments made by external auditors.

The Combined Authority has in place a system based on a framework of contract 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 Combined Authority's management with internal audit undertaking reviews based on risk. Contract standing orders and financial regulations are updated as required and re-approved annually by the Combined Authority at its Annual Meeting. In terms of financial accounting the Combined Authority 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 Regulatory and Compliance Board (previously considered by the Audit and Risk Management Group) that key controls have been operating in the period.

One of the key responsibilities within the Combined Authority is to determine, agree and monitor the annual budget. This responsibility involves setting an appropriate budget to fulfil the resource requirements of the Combined Authority in undertaking its transport, economic development and regeneration activities. This budget is an integrated one for the full breadth of the activities of the Combined Authority, including the bringing together of transport and economic policy funding. The organisational redesign and restructuring work largely completed during 2017/18, ensures that the most effective arrangements are in place to enable delivery of the Combined Authority'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 Combined Authority 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 through the Member Budget Working Group, Overview and Scrutiny Committee, Governance and Audit Committee and the Combined Authority and is shared with the LEP Board.

Regular review of revenue and capital budgets is undertaken by senior management with regular updates to the Combined Authority presented through the year.

Within the Combined Authority 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 Combined Authority 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 Combined Authority. 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 Combined Authority'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 Combined Authority the Pentana system is used to monitor progress in implementing audit recommendations and is regularly reviewed by the directorate management teams and the officer Regulatory and Compliance Board.

From the work undertaken during the financial year 2018/19 and taking into account other sources of assurance, Internal Audit have reached the opinion that, overall, the Combined Authority's framework of control and governance is operating adequately. Risk management arrangements have improved during 2018/19, though further development continues and therefore only partial assurance can be provided until that work is completed.

The Combined Authority continues to review, develop and refine its Assurance Framework to ensure that there is greater accountability and improved governance with regard to the management and delivery of projects. As part of the Delivery Directorate, a Portfolio Management Office manages a three stage pipeline approval process, designed to support the Leeds City Region Assurance Framework. All partner authorities delivering schemes funded by the Combined Authority follow this framework and close working with partner authorities is key to successful delivery of the wide ranging portfolio.

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

The Combined Authority has in place risk management arrangements that are continually reviewed and improved. Reviews of risk take place at directorate management team level, supported by guidance on the identification, assessment and reporting of risk. The risk appetite statement is regularly reviewed and changes approved. An officer Regulatory and Compliance Board meets on a periodic basis to ensure consistency in the assessment and management of risk and to provide an overview of the process. The Combined Authority's strategic risk register has been updated during the year and is considered regularly by the Governance and Audit Committee and reported to the Combined Authority meeting as part of the regular corporate performance management report.

Building on the work that was done in late 2017 to review and update the Combined Authority's risk management framework, work has continued in 2018/19 to further develop and embed risk management arrangements across the organisation. This has included work to consolidate all risk registers throughout the organisation and to ensure that risk is considered consistently in line with the principles set out in the Corporate Risk Management Strategy. In 2018/19 significant work has been undertaken to further embed a risk awareness culture, which has been supported by the introduction of additional risk guidance documents to disseminate information about the approach to identifying, treating and assessing risks. In addition a series of practical risk workshops have also been held with a variety of groups across the organisation and standard agenda items on risk have been embedded into management meetings through the refresh of internal governance arrangements that took place in autumn 2018.

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.

An independent external quality review which assessed the Internal Audit function in relation to compliance with Public Sector Internal Auditing Standards (PSIAS) was completed during the year. The conclusion was that the Internal Audit activity generally conforms to the definition of internal auditing, the Code of Ethics and the PSIAS. An action plan was determined to address recommendations for further development of the function.

The Combined Authority 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 2018/19 the Combined Authority continued to progress its 'One Organisation' Transformation Programme aimed at ensuring the Combined Authority has the right structures, processes and people to enable the successful delivery of its objectives and priorities. Significant progress has been made with regard to recruiting to new structures and subsequent alignment of budgets, corporate plans and the embedding of the new set of values and behaviours. This has been accompanied by an increased focus on transparency in decision making across both the Combined Authority and the LEP Board.

Significant work has been undertaken to ensure compliance with the requirements of the General Data Protection Regulation which came into force on 25 May 2018. Work is continuing to ensure information security arrangements remain up to date and are regularly monitored and reported.

Work is underway to review the internal governance arrangements to ensure they align to best effect with the revised committee and advisory panel arrangements and that delegations are exercised to best effect to enable transparent, accountable and effective decision making.

A dedicated Scrutiny Officer post is in place to support the Overview and Scrutiny Committee. Further improvements with regard to the transparency of project delivery are planned for the summer as part of upgrades to the 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 2018/19 the Combined Authority 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 an updated 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 Hinchcliffe

B Still

Chair

Managing Director

July 2019

# Movement in Reserves Statement

The Movement in Reserves Statement shows the movement in the year on the different reserves held by the Combined Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure) and 'unusable reserves'. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve, where amounts would only become available to provide services if the assets are sold); and reserves that hold timing differences (for example the Capital Adjustment Account). The net surplus on provision of service shows the economic cost of providing the Combined Authority's services and the provision of grants to fund the introduction of capital assets, more details of which are shown in the Comprehensive Income and Expenditure Statement.

2018-19		General Fund	Capital Grants Unapplied	Useable Capital Receipt Reserve	Rail Reserve	WY Transport Fund	NGT Reserve	Total Usable reserves	Capital Adjustment Account	Financial Instruments	Revaluation Reserve	Donated Asset A/C	Pension Reserve	Unusable reserves	Total
Note		£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
<b>Balance at 1st April 2018</b>		<b>5,217</b>	<b>88,266</b>	<b>1,242</b>	<b>2,075</b>	<b>28,109</b>	<b>971</b>	<b>125,880</b>	<b>13,092</b>	<b>(1,573)</b>	<b>13,789</b>	<b>668</b>	<b>(74,746)</b>	<b>(48,770)</b>	<b>77,110</b>
Transfer of balances 1 April 2018															
<b>Movement in reserves during 2018/19</b>															
Surplus/(Deficit) on Provision of Service		(9,837)						(9,837)						-	(9,837)
Remeasurement of the net defined benefit liability 7								-					(5,452)	(5,452)	(5,452)
Revaluation of non-current assets 11,22								-			1,012			1,012	1,012
Prior year adjustments			173	(250)				(77)	250					250	173
<b>Total Comprehensive Income and Expenditure</b>		<b>(9,837)</b>	<b>173</b>	<b>(250)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(9,914)</b>	<b>250</b>	<b>-</b>	<b>1,012</b>	<b>-</b>	<b>(5,452)</b>	<b>(4,190)</b>	<b>(14,104)</b>
<b>Adjustments between accounting basis and funding basis under regs</b>															
Minimum Revenue Provision (MRP) 3		(3,124)						(3,124)	3,124					3,124	-
Finance costs early settlement discounts 6		33						33		(33)				(33)	-
Revenue Expenditure Funded from Capital under Statute (Ref 22.2)		148,831						148,831	(148,831)					(148,831)	-
Capital grants applied 22.2		(155,842)		(1,526)	(1,211)			(158,579)	158,579					158,579	-
Capital Grants unapplied 22.1		17,465	(17,465)					-						-	-
Depreciation 11		4,266						4,266	(4,266)					(4,266)	-
Transfer W/down of Soft Loans		(128)						(128)		128				128	-
Transfer to pension reserve 7		4,442						4,442				(4,442)		(4,442)	-
GPF loan repayments				9,690				9,690	(9,690)					(9,690)	-
Conversion of Local Growth Fund (LGF) loan		300						300	(300)					(300)	-
Asset disposal profit/(loss) 11 e)		601		279				880	(880)					(880)	-
Impairment GPF Loans		800						800	(800)					(800)	-
<b>Total adjustments between accounting basis and funding basis under regs</b>		<b>17,644</b>	<b>(17,465)</b>	<b>8,443</b>	<b>(1,211)</b>	<b>-</b>	<b>-</b>	<b>7,411</b>	<b>(3,064)</b>	<b>95</b>	<b>-</b>	<b>-</b>	<b>(4,442)</b>	<b>(7,411)</b>	<b>-</b>
<b>Increase/ (decrease) in year before</b>															
Transfer to ear-marked reserve		7,807	(17,292)	8,193	(1,211)	-	-	(2,503)	(2,814)	95	1,012	-	(9,894)	(11,601)	(14,104)
Transfer to ear-marked reserve		(6,176)				6,176		-							
<b>Increase/ (decrease) in year</b>		<b>1,631</b>	<b>(17,292)</b>	<b>8,193</b>	<b>(1,211)</b>	<b>6,176</b>	<b>-</b>	<b>(2,503)</b>	<b>(2,814)</b>	<b>95</b>	<b>1,012</b>	<b>-</b>	<b>(9,894)</b>	<b>(11,601)</b>	<b>(14,104)</b>
<b>Balance at 31st March 2019</b>		<b>6,848</b>	<b>70,974</b>	<b>9,435</b>	<b>863</b>	<b>34,286</b>	<b>971</b>	<b>123,377</b>	<b>10,278</b>	<b>(1,477)</b>	<b>14,801</b>	<b>668</b>	<b>(84,640)</b>	<b>(60,370)</b>	<b>63,007</b>

# Movement in Reserves Statement

Continued

2017/18	Note	General Fund	Capital Grants Unapplied	Useable Capital Receipt Reserve	Rail Reserve	WY Transport Fund	NGT Reserve	Total Usable reserves	Capital Adjustment Account	Financial Instruments Adj A/C	Revaluation Reserve	Donated Asset A/C	Pension Reserve	Total Unusable reserves	Total
		£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Balance at 1st April 2018		7,102	73,608	-	2,075	21,933	971	105,689	13,023	(1,623)	12,927	668	(72,384)	(47,389)	58,299
Transfer of balances 1 April 2017															
<b>Movement in reserves during 2017/18</b>															
Surplus on Provision of Service		18,883						18,883							18,883
Remeasurement of the net defined benefit liability	7												(935)	(935)	(935)
Net increase in liability on disposal/aquistn															
Revaluation of non-current assets	11,22										862			862	862
<b>Total Comprehensive Income and Expenditure</b>		<b>18,883</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>18,883</b>	<b>-</b>	<b>-</b>	<b>862</b>	<b>-</b>	<b>(935)</b>	<b>(73)</b>	<b>18,810</b>
<b>Adjustments between accounting basis and funding basis under regs</b>															
Minimum Revenue Provision (MRP)	3	(3,254)						(3,254)	3,254					3,254	-
Finance costs early settlement discounts	6	76						76		(76)				(76)	-
Revenue Expenditure Funded from Capital under Statute (Ref)	22	141,208						141,208	(141,208)					(141,208)	-
Capital grants applied	3,22	(143,888)		(967)				(144,855)	144,855					144,855	-
Capital Grants unapplied	22	(14,658)	14,658												-
Depreciation	11	4,675						4,675	(4,675)					(4,675)	-
Transfer W/down of Soft Loans		(126)						(126)		126				126	-
Transfer to pension reserve	7	1,427						1,427					(1,427)	(1,427)	-
Asset Held For Sale Revaluation loss				1,557				1,557	(1,557)					(1,557)	-
Impairment GPF Loans		(59)		59											-
<b>Total adjustments between accounting basis and funding basis under regs</b>		<b>(14,592)</b>	<b>14,658</b>	<b>1,242</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,308</b>	<b>69</b>	<b>50</b>	<b>-</b>	<b>-</b>	<b>(1,427)</b>	<b>(1,308)</b>	<b>-</b>
<b>Increase/ (decrease) in year before</b>															
Transfer to ear-marked reserve		4,291	14,658	1,242	-	-	-	20,191	69	50	862	-	(2,362)	(1,381)	18,810
Transfer to ear-marked reserve		(6,176)				6,176									
<b>Increase/ (decrease) in year</b>		<b>(1,885)</b>	<b>14,658</b>	<b>1,242</b>	<b>-</b>	<b>6,176</b>	<b>-</b>	<b>20,191</b>	<b>69</b>	<b>50</b>	<b>862</b>	<b>-</b>	<b>(2,362)</b>	<b>(1,381)</b>	<b>18,810</b>
Balance at 31st March 2018		5,217	88,266	1,242	2,075	28,109	971	125,880	13,092	(1,573)	13,789	668	(74,746)	(48,770)	77,110



## Balance Sheet

The balance sheet is the key statement of the Combined Authority's financial position at the year-end. It shows its balances and reserves, and the values of its long term and current assets and liabilities.

<u>31 March 2018</u>	£000s	<u>31 March 2019</u>	<i>notes</i>
	<i>Non-current assets</i>		
79,792	Property, plant and equipment	76,108	11(d)
23,633	Long-term debtors	17,591	17
<u>103,425</u>		<u>93,699</u>	
	<i>Current assets</i>		
133,088	Short term investment	99,590	21
26,230	Short term debtors	44,202	15
42,891	Cash and cash equivalents	73,034	16
<u>202,209</u>		<u>216,826</u>	
	<i>Current liabilities</i>		
(1,048)	Short term borrowing	(1,047)	19
(51,881)	Trade and Other payables	(65,481)	18
(25,653)	Accruals and deferred income	(21,153)	18
(196)	Provisions for current liabilities	(197)	23
<u>(78,778)</u>		<u>(87,878)</u>	
<u>226,856</u>	Total assets less current liabilities	<u>222,647</u>	
	<i>Long-term liabilities</i>		
(75,000)	Long-term borrowing	(75,000)	19,21
(74,746)	Net pensions liability	(84,640)	7
<u>(149,746)</u>		<u>(159,640)</u>	
<u>77,110</u>	Total assets less liabilities	<u>63,007</u>	
	Financed by		
5,217	General Fund Reserve	6,848	
1,242	Usable Capital Receipts Reserve	9,435	22
88,266	Capital grants unapplied	70,974	22
2,075	Rail Reserve	863	22
971	New Generation Transport Reserve	971	22
28,109	WY Transport fund Reserve	34,286	22
<u>125,880</u>	<i>Usable reserves</i>	<u>123,377</u>	
13,092	Capital Adjustment Account	10,278	22
(1,573)	Financial Instruments Adjustment Account	(1,477)	22
(74,746)	Pensions Reserve	(84,640)	22
13,789	Revaluation Reserve	14,801	22
668	Donated Asset Account	668	11(c)
<u>(48,770)</u>	<i>Unusable reserves</i>	<u>(60,370)</u>	
<u>77,110</u>	Total reserves and balances	<u>63,007</u>	

## Cash Flow Statement

The cashflow statement is a financial statement that shows changes in balance sheet account and income after cash and cash equivalents, and breaks the analysis down to operating, investing and financing activities. Essentially, the cashflow statement is concerned with the flow of cash in and cash out of the Combined Authority.

2017/18	£000s		2018/19
	Operating activities :		
18,883	Surplus/(Deficit) on the Provision of Service		(9,837)
4,675	Depreciation	11d	4,266
(126)	Write down of loans		1,005
12,135	Increase in creditors	17,18	8,716
426	(Increase)/decrease in debtors	15,21	(12,950)
1,427	Transfer to the Pension Reserve	22	4,442
6	Provisions	23	1
7	(Profit)/Loss from disposal of assets	11e	601
1,016	Fixed assets charged to revenue	11d	927
38,449	Net cash generated from operating activities		(2,829)
	Cash flows from investing activities		
(2,736)	Purchase of property, plant & equipment,	11d	(1,379)
(1,928)	New long term debtor loans advanced	17	(9,297)
(34,750)	Short term investment	21	33,500
600	Proceeds from the sale of property, plant & equipment	11b	279
(38,814)	Net cash flows from investing activities		23,103
	Cash flows from financing activities		
(505)	Repayment of loans	19	-
1,286	Receipt of Debtor Loan repayments	17	9,869
781	Net cash used from financing activities		9,869
416	Increase/(Decrease) in cash and cash equivalents		30,143
42,475	Cash and cash equivalents at the beginning of the reporting period		42,891
42,891	Cash and cash equivalents at end of reporting period	16	73,034

The deficit on the provision of service includes the following items:

2017/18	£000's		2018/19
			£000's
3,222	Interest paid	6	3,220
(1,138)	Interest received	6	(2,761)

Cash and cash equivalents comprises operational cash balances, cash at bank and short-term bank deposits. Bank overdrafts that are repayable on demand also form an integral part of the Combined Authority's cash management arrangements. Included in cash and cash equivalents is cash at bank held on behalf of third parties where the liability to repay these amounts is recognised under creditors.



# Explanatory Notes to the Accounts

## 1. Accounting Policies for the West Yorkshire Combined Authority

### I. BASIS OF PREPARATION

The Statement of Accounts summarises the Combined Authority's transactions and its position for the year end of 31 March 2019. The Combined Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015, following the appropriate accounting standards as required by the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the Code). The Code constitutes a "proper accounting practice" under the terms of section 21(2) of the Local Government Act 2003. The Code is based on approved accounting standards, supported by International Financial Reporting Standards (IFRS).

#### Statement of Compliance with IFRS

The following accounting standards have been adopted from the 2018/19 accounts:

IFRS 9 Financial Instruments (replaces IAS39)  
IFRS15 Revenue from Contracts with Customers (replaces IAS11, IAS18,  
IFRIC13, 15, 18 and SIC 31)

The following accounting standards have been issued but not yet adopted by the Code:

IFRS16 Leases (replaces IAS 17) from 2020/21 and establishes a new model for lessees. The application of IFRS16 to Local Authorities is still subject to the final consultation process. Therefore a judgement of its impact cannot be made yet.

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

The statements are prepared on a going concern basis with the accounts being prepared on the assumption that the functions of the Combined Authority will continue in operational existence for the foreseeable future.

#### Accruals of income and expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the Combined Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Combined Authority.
- Revenue from the provision of services is recognised when the Combined Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Combined Authority.

- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

### **Critical Accounting Estimates and Judgements**

The preparation of financial statements in accordance with IFRS requires management to make certain assumptions, estimates and judgements that may affect the reported amounts of assets, liabilities, income and expenses. These are based on historical experience and any other factors, including expectations of future events, that are considered appropriate, and these are continually reviewed. Subsequent actual results may however differ from these estimates and judgements. Areas where assumptions, estimates and judgements may give rise to adjustments to the carrying values of assets and liabilities in the financial year are as follows:

- **Property revaluation:** the Combined Authority carries its non-infrastructure land and buildings at fair value. Periodically, external surveyors are used, and the last full independent survey was carried out as at 31 March 2015. Between independent surveys, reviews are carried out by internal but qualified staff. Such valuations and any attached estimates are subject to some judgement.
- **Leases:** The Combined Authority has classified leases as either finance or operating leases based on the extent to which the risks and rewards incidental to ownership lie with the lessee or lessor. The Combined Authority has classified certain contracts as operating leases although the legal form of the arrangement is not a lease.
- **Retirement benefit obligations:** the cost of defined benefit pension plans is determined using an independent actuarial valuation, involving the use of assumptions about discount rates, returns on assets, future salary increases, mortality rates, inflation and future pension increases. Such assumptions are reviewed at each period end, and determined jointly between the pension fund management and the actuaries.

#### **a) PROPERTY PLANT AND EQUIPMENT**

- Infrastructure Assets and Plant and Equipment are stated at depreciated historical cost, net of accumulated impairment losses. Non-Infrastructure Land and buildings are measured at current value which is Existing Use Value (EUV) where there is an active market or Depreciated Replacement Cost (DRC) where it relates to a specialised asset. Valuations are performed at intervals of no more than five years to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. A full revaluation of the Combined Authority's Non-Infrastructure Land and Buildings and the office building (Wellington House) was

carried out by an MRICS qualified valuer of Lambert Smith Hampton, a firm of external Chartered Surveyors. The revaluation was carried out as at 31 March 2015 on an Existing Use Value (EUV) and Depreciated Replacement Cost (DRC) in accordance with IAS 16. A revaluation of the Combined Authority's on-street furniture was carried out as at 31 March 2008 however under IFRS these are infrastructure assets and are valued at historical cost. A revaluation update of Non-Infrastructure Land and Buildings was undertaken by Lambert Smith Hampton as at 31 March 2019.

- Infrastructure Assets and Plant and Equipment are recorded at original cost less accumulated depreciation and any recognised impairment loss. Cost includes professional fees and for assets constructed by the Combined Authority, any related works to the extent that these are directly attributable to the acquisition or construction of the asset. The gain or loss arising on disposal of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement. Subsequent costs are included in the carrying value of an asset when it is probable that additional future economic benefits will flow to the Combined Authority and the cost of the item can be measured reliably. All other repairs and renewals are charged to the income statement as incurred.
- Depreciation or amortisation is provided so as to write off, on a straight-line basis, the cost of property, plant and equipment and intangible fixed assets including those held under finance leases. These charges are commenced from the dates the assets are available for their intended use and are spread over their estimated useful economic lives. The estimated useful lives of assets are reviewed regularly and, when necessary, revised. Accelerated depreciation or amortisation is provided where an asset is expected to become obsolete before the end of its normal useful life or if events or changes in circumstances indicate that an impairment loss needs to be recognised, as discussed below. No further charges are provided in respect of assets that are fully written down but are still in use. The estimated useful lives for the main categories of property, plant and equipment and intangible assets are:

Freehold and Long Leasehold Buildings between 5 and 50 years

On-street Furniture and Infrastructure 20 years

Rail Units Leased 10 years

Vehicles Between 4 and 16 years

Plant and Equipment Between 4 and 10 years

Office Furniture and Equipment Between 4 and 10 years

- Freehold land, either at cost or valuation, is not depreciated. Management regularly considers whether there are any indications of impairment to carrying values of property, plant and equipment. Impairment reviews are based on risk adjusted discounted cash flow projections. Significant judgement is applied to the assumptions underlying these projections which include estimated discount rates, growth rates, future selling prices and direct costs. Changes to these assumptions could have a material impact on the financial position of the Combined Authority and on the result for the year.

b) **Progress payments for capital assets**

Progress payments for capital assets or schemes not yet completed are held in Work In Progress. The assets are transferred to the appropriate heading and are subject to depreciation when they become available for use. The Combined Authority writes out directly attributable costs on capital schemes where no tangible asset exists to reflect a true and fair view of the asset base.

c) **Discontinued Operations and Non-current Assets Held for Sale**

Discontinued operations and Non-current assets held for sale are measured at the lower of carrying amount and fair value less costs to sell. Discontinued operations and current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This is the case, when the asset is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets and the sale is considered to be highly probable. A sale is considered to be highly probable if the appropriate level of management is committed to a plan to sell the asset and an active programme to locate a buyer and complete the plan has been initiated.

d) **Donated Assets**

Donated assets are assets that have been transferred to the Combined Authority at nil value or acquired at less than fair value. Donated assets are initially recognised at fair value at the date of acquisition. After initial recognition the donated assets will be revalued and depreciated in accordance with the Combined Authority's revaluation and depreciation policy. A Donated Assets account recognises the benefit received from these assets where conditions apply to the assets use.

II. **CAPITAL RECEIPTS**

Capital receipts from the disposal of assets are treated in accordance with the provisions of the Local Government Act 2003. Capital receipts must be used to fund capital expenditure, to repay debt, or to fund credit arrangements, subject to the de minimis level set out in the relevant regulations (currently £10k). Capital receipts realised from the sale of land and buildings are fully usable.

III. **REVENUE EXPENDITURE FINANCED FROM CAPITAL UNDER STATUTE**

Expenditure incurred by the Combined Authority that may be capitalised under statutory provisions but does not result in the creation of a non-current asset (i.e. rail infrastructure) is charged to the Comprehensive Income and Expenditure account. The Combined Authority meets this expenditure from existing capital resources with capital grants reversed against the expenditure charged to revenue so there is no impact on the revenue grant requirement.

IV. **RAIL INFRASTRUCTURE**

Expenditure now incurred by the Combined Authority on any rail infrastructure projects is not capitalised. The Combined Authority has no ownership/legal rights in respect of the infrastructure and as a consequence the costs are charged directly to revenue.

## V. CHARGES TO REVENUE

For the Combined Authority depreciation has been shown as part of the service expenditure. The Combined Authority has considered the impairment of fixed assets in accordance with IAS 36 and no charges for impairment have been made. Such depreciation or impairment is then required by the Code to be credited in the Movement in Reserves Statement on the General Fund Balance to avoid it being a net charge to the accounts. Amounts set aside from revenue for the repayment of external loans are also shown separately through the Movement in Reserves Statement on the General Fund Balance.

## VI. GOVERNMENT GRANTS

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Combined Authority when there is reasonable assurance that:

- The Combined Authority will comply with the conditions attached to the payments, and
- The grants or contributions will be received.

Amounts recognised as due to the Combined Authority are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

### Capital Grants

Grants to fund capital expenditure from government and other bodies are credited to the Comprehensive Income and Expenditure Statement (CIES) where the grant conditions have been met. In order to recognise that the capital grants are provided to finance capital expenditure the grants are subsequently transferred from the General Fund to the Capital Adjustment Account. If expenditure has not been incurred at the balance sheet date the grant is transferred to the Capital Grants Unapplied Account.

The Comprehensive Income and Expenditure Statement will recognise capital grants to the extent that they offset capital expenditure charged directly to revenue (see policy V. above).

## VII. INVESTMENTS

Investments are shown on the Balance Sheet at amortised cost less provision, where appropriate, for loss in value. Investment income is credited to the revenue account when it falls due.

## VIII. RESERVES

The General Fund Balance is a revenue reserve and transfers to and from the reserve are recognised through the Movement in Reserves Statement. Expenditure is charged to revenue and not directly to the reserve. Other reserves (Capital Adjustment, Financial Instruments Adjustment, Revaluation, and Pension Reserves) are not available for revenue purposes and can only be used for specific statutory purposes.

## IX. PENSION COSTS

The requirements of IAS 19 "Retirement Benefits" have been fully adopted in the financial statements of the Combined Authority.

The Combined Authority is an employing authority within the West Yorkshire Pension Fund which is a funded pension scheme. Most employees participate in this scheme which provides defined benefits payable to members on and after their retirement. Contributions made to the fund for both current and past services are charged to the revenue account as they are paid. Contribution levels are determined by the Fund. The Fund is a statutorily established pension fund and the benefits are paid under the provisions of the Local Government Pension Scheme Regulations 2014.

The Combined Authority has a continuing responsibility for payments to the Fund in respect of all staff who were transferred to Yorkshire Rider Limited (now First West Yorkshire) as a consequence of the Transport Act 1985. The annual cost of this responsibility is to be charged to the revenue account.

The liabilities of the pension fund attributable to the Combined Authority are included in the Balance Sheet on an actuarial basis using the projected unit method, i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employees turnover rates, etc., and projections of projected earnings for current employees.

The assets of the pension fund attributable to the Combined Authority are included in the Balance Sheet at their fair value:

- ◆ Quoted securities at current bid price
- ◆ Unquoted securities based on professional estimate
- ◆ Unitised securities at current bid price
- ◆ Property at market value

The change in the net pension's liability is analysed into seven components:

**Current service costs** - the increase in liabilities as a result of years of service earned this year - allocated in the Comprehensive Income and Expenditure Statement to the services for which the employee worked;

**Past service cost** - the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years - debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of the service costs;

**Interest expense on the defined benefit obligation** - the interest on the present value of liabilities and interest on the net changes in those liabilities during the year

calculated using the discount rate at the start of the period debited to the Pensions interest expense/income on the net liability in the Comprehensive Income and Expenditure Statement ;

**Interest income on assets** - the interest income applied to the asset and net changes in the asset during the year - credited to the Pensions interest expense/income on the net liability in the Comprehensive Income and Expenditure Statement;

**Gains or losses on settlements and curtailments** - the result of actions to relieve the Combined Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees - debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of the service costs;

**Actuarial gains and losses** - changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions - debited to the Pensions Reserve; and

**Contributions paid to the pension fund** - cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to the retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Combined Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable that are unpaid at the year-end. The balance that arises on the Pensions Reserve thereby measures the adverse impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

## X. PROVISIONS

A provision is recognised in the Balance Sheet when the Combined Authority has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. A provision for restructuring is recognised when management has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been announced publicly. In accordance with the Combined Authority's environmental policy and applicable legal requirements, a provision for site restoration in respect of contaminated land is recognised when the land is contaminated. Provisions for environmental issues are judgemental by their nature and more difficult to estimate when they relate to sites no longer directly controlled by the Combined Authority. The Combined Authority has taken a consistent approach to estimating environmental provisions.

## XI. EXCEPTIONAL ITEMS

The Combined Authority presents certain items separately as 'exceptional'. These are items, which in management's judgement, need to be disclosed by virtue of their size and incidence in order for the user to obtain a proper understanding of the financial information. The determination of which items are separately disclosed as exceptional items requires a significant degree of judgement.

## XII. TAXATION

### Corporation, Income and Capital Gains Tax

The Combined Authority is exempt from Corporation, Income and Capital Gains tax by virtue of regulations section 74 of the Local Government Finance Act 1988.

### Value Added Tax (VAT)

Revenues, expenses and assets are recognised net of the amount of VAT except:

- Irrecoverable VAT on the purchase of assets or services is recognised as an expense in the income statement.
- Receivables and payables that are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to the taxation authority is included as part of receivables or payables in the Balance Sheet.

## XIII. DEBTORS

Debtors are adjusted for doubtful debts which are provided for with known uncollectable debts being written off.

## XIV. LEASED ASSETS

Assets acquired under finance leases, where substantially all the risks and rewards of ownership of the assets have passed to the Combined Authority, are capitalised in the balance sheet and depreciated over their useful lives. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element is charged to the income statement over the period of the lease and is calculated so that it represents a constant proportion of the lease liability.

Rentals payable under operating leases (where the risks and rewards incidental to ownership remain with the lessor), are charged to the income statement on a straight line basis over the lease term. When the lease becomes onerous full provision is made of the expected discounted future cost of the lease.

## XV. FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The term 'financial instrument' covers both financial assets and financial liabilities. The Combined Authority accounts have been prepared in accordance with IFRS 9 (which replaced IAS 39) which is effective from 2018/19 accounts. The main implications of the change is in the classification and measurement of financial assets and for recognising and measuring impairment.

### Financial Assets

Financial assets can be classified as cash and cash equivalents (short term deposits) trade receivables and loans receivable. The Combined Authority does not hold instruments designated as available-for-sale assets. Financial assets are initially recognised at fair value and subsequent measurement depends on their classification as follows:-

**Cash and cash equivalents:** consist of funds placed with banks and other institutions with deposit terms of 3 months or less. For the purpose of the cash flow statement, cash and cash equivalents are as defined above, net of outstanding bank overdrafts.

**Loans and receivables:** Consist of non-derivative financial assets with fixed or determinable payments not quoted in an active market. Such assets are carried at amortised cost using the effective interest rate method. This means for most of the loans advanced by the Combined Authority the amount presented in the balance sheet is the principal plus accrued interest, with the exception of soft loans where a present value calculation of future cashflows discounted at the higher effective interest rate is undertaken. Gains and losses are recognised in the Income and Expenditure Statement when the assets are amortised, derecognised or impaired.

**Trade and other receivables:** recognised and carried at invoice or contract value less an allowance for any amounts which may not be collectable. Should an amount become uncollectable, it is written off to the income statement in the period in which it is recognised.

**Impairment of financial assets:** the Combined Authority assesses at each period end whether there is any evidence that a financial asset, or group of assets, is impaired. Financial assets are impaired if, and only if, there is objective evidence of one or more events that will negatively impact future expected cash flows, and the impact can be reliably estimated. Objective evidence may be that a debtor is experiencing financial difficulty to the extent that cash flows are, or are likely to be, negatively impacted. If such objective evidence exists, then the financial asset is impaired to the extent of the present value of estimated cash flow shortfall. The amount of the allowance for impairment is recorded separately to the asset, and written off against income. Financial assets are derecognised when the appropriate cash flows have been received, or when the rights to receive cash flows from the asset have expired.

## Financial Liabilities

Financial liabilities can be classified as loans and borrowings and trade and other payables and are initially recognised at fair value. Subsequent measurement of liabilities depends on their classification as follows:

**Loans and borrowings:** non-derivative financial liabilities with fixed or determinable payments not quoted in an active market. Such interest-bearing liabilities are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in the Income and Expenditure Statement when the liabilities are amortised, derecognised or impaired.

**Trade and other payables:** recognised and carried at invoice or contract value. Should an amount become non-payable, it is written back to the Statement of Income and Expenditure in the period in which it is recognised.

Financial liabilities are derecognised when the appropriate cash flow obligations have been discharged, expired or otherwise cancelled.

## Offsetting of Financial Assets and Liabilities

Financial assets and liabilities are offset, and the net amount reported in the Balance sheet, if and only if there is an enforceable legal right to offset, and there is an intention to settle on a net basis in order to realise the assets and discharge the liabilities simultaneously.

**XVI. FOREIGN CURRENCY TRANSLATION**

All foreign currency income and expenses are translated at the rate ruling on the day of the transaction with the resultant profit or loss recognised immediately in the revenue account. All foreign currency assets and liabilities in the balance sheet are translated at the Balance Sheet date.

**XVII. CONTINGENT LIABILITY**

A contingent liability arises where an event has taken place that gives the Combined Authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

**XVIII. EVENTS AFTER THE BALANCE SHEET DATE**

The Statement of Accounts are to be authorised for issue by the Chief Financial Officer as at 31 July 2019. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2019, the figures in the financial statements and notes will be adjusted in all material respects to reflect the impact of the information (adjusting events). Events indicative of conditions that arose after the reporting period are not adjusted (non-adjusting events).

**XIX. PRIOR PERIOD ADJUSTMENTS, CHANGES IN ACCOUNTING POLICIES , ESTIMATES AND ERRORS**

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in estimation techniques are accounted for prospectively and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practice or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Combined Authority's financial position or performance. Changes are made retrospectively by adjusting opening balances and comparative amounts for the prior period.

**XX. CONSOLIDATION OF JOINT VENTURE**

The concept of materiality has been considered in respect of the consolidation of Yorcard Ltd into the Combined Authority's accounts. Materiality is determined as an omission or misstatement that may influence an economic decision of the user of the accounts. On this basis Management have adopted a policy to exclude the Yorcard Ltd Joint Venture from full consolidation but have disclosed in note 24 the financial performance and position in accordance with IAS31 "Interests in Joint ventures".

## **2. The Account**

The CIPFA Code of Practice on Local Authority Accounting based on International Financial Reporting Standards in the United Kingdom 2018/19 (IFRS based code): The IFRS based code requires all authorities who have a group interest in another organisation to produce group accounts based on IFRS 3 business combinations and IAS 27 consolidated and separate financial statements except where interpretations or adaptations for public sector apply. The accounts of the Combined Authority however have not been prepared as group accounts reflecting that the Combined Authority is a single entity with a small joint venture which is not consolidated within the financial statements as disclosed at note 24.

## **3. Capital Expenditure and Financing**

The Combined Authority has a statutory obligation to make adequate provision to meet its liabilities in respect of capital expenditure financed by external borrowing. The method of calculating the provision is defined by statute. For 2018/19 the amount is £3.124m.

The provision has been charged to service revenue accounts as a depreciation charge for fixed assets related to that service. The balance has been transferred from the Capital Adjustment Account to the General Fund Balance to ensure that the charge to the amount met from Government Grant and Local Taxation equates to the Minimum Revenue Provision (MRP).

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Combined Authority, the expenditure results in an increase in the Capital Financing Requirement, a measure of the capital expenditure incurred historically by the Combined Authority that has yet to be financed.

## **Capital Financing Requirement**

	2017/18	2018/19
	£000's	£000's
Opening Balance	81,346	78,092
	81,346	78,092
<b>Capital Investment</b>		
Property, Plant and Equipment	2,736	1,379
Housing and Regeneration Investment	1,128	7,950
Growing Places Fund Loans	800	1,346
Revenue Funded from Capital		
Under statute	140,191	147,903
<b>Sources of Finance</b>		
Government grants and other capital contributio (143,888)		(155,841)
Capital Reserve (other) contributions	(967)	(2,737)
Minimum Revenue Provision (MRP)	(3,254)	(3,124)
Movement in year	(3,254)	(3,124)
Closing Capital Financing Requirement	78,092	74,968

The capital financing requirement decreased in 2018/19 by the level of provision for the repayment of debt as there was no increase in the requirement to borrow to fund capital expenditure.

## **4. Comprehensive Income and Expenditure Statement (CI&E) & Expenditure and Funding Analysis (EFA)**

4.1 IFRS15 Revenue from Contracts with Customers has been adopted in the 2018/19 accounts. The Combined Authority administers a prepaid ticket scheme. The Combined Authority receives revenues from prepaid ticket sales which are then pooled and distributed to operators based on passenger journey and usage data collected. Under IFRS15 the net income from the scheme is included in the Combined Authority's revenue account within Transport Services in 2018/19, whereas in previous years both gross payment to operators and total income from the ticket sales were included. The total payment to operators was £33.5m in 2018/19 (£31.8m in 2017/18).

4.2 The objective of the Expenditure and Funding Analysis is to demonstrate how the funding available to the Combined Authority for the year has been used in providing services in comparison with those resources consumed in accordance with general accepted accounting practices.

A disclosure on the nature of expenses is presented as recommended by the Code. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

#### 4.2 (a). Expenditure and Funding Analysis

2017/18				2018/19		
Expenditure Chargeable to GF	Adjustment between funding and accounting	Net Expenditure in the CI&E		Expenditure Chargeable to GF	Adjustment between funding and accounting	Net Expenditure in the CI&E
£000s						
80,981	91,614	172,595	Transport Services	80,136	105,794	185,930
1,487	53,874	55,361	Economic Services	1,458	47,100	48,558
4,099	(60)	4,039	Policy, Strategy & Communications	4,005	(19)	3,986
68	(44)	24	Delivery	534	(15)	519
3,285	1,452	4,737	Corporate Services	1,670	4,505	6,175
		-				-
89,920	146,836	236,756	Net cost of services	87,803	157,365	245,168
7,164	(3,297)	3,867	Financing and investment income and expenditure	4,764	(2,419)	2,345
		-	Loss on disposal of assets		601	601
(95,198)	(164,308)	(259,506)	General grant income	(94,198)	(144,079)	(238,277)
			(Surplus) / deficit on provision of services			
1,886	(20,769)	(18,883)		(1,631)	11,468	9,837
<b>General Fund</b>						
(7,102)			Reserve Balance brought forward	(5,216)		
1,886			(Increase) / decrease for the year	(1,631)		
(5,216)			Reserve Balance carried forward	(6,847)		

#### 4.2 (b). Note to the Expenditure and Funding Analysis

2017/18					2018/19			
Adjustments for Capital Purposes	Net Change for Pensions Adjustments	Other Differences	Total Adjustments	£000s	Adjustments for Capital Purposes	Net Change for Pensions Adjustments	Other Differences	Total Adjustments
(91,710)	96	-	(91,614)	Transport Services	(105,821)	27	-	(105,794)
(53,912)	38	-	(53,874)	Economic Services	(47,112)	12	-	(47,100)
-	60	-	60	Policy, Strategy & Communications		19	-	19
-	44	-	44	Delivery		15	-	15
213	(1,665)	-	(1,452)	Corporate Services	12	(4,517)	-	(4,505)
(145,409)	(1,427)	-	(146,836)	Net cost of services	(152,921)	(4,444)	-	(157,365)
				Financing and investment income and expenditure			2,419	2,419
		3,297	3,297	Loss on disposal of assets			(601)	(601)
		-	-	General grant income	138,377		5,702	144,079
		5,702	164,308					
Difference Between Surplus or Deficit and the Comprehensive Income and Expenditure Statement Surplus or Deficit on the provision of Services								
								(11,468)

## 4.2 (c). Expenditure and Income Analysed by Nature

<u>2017/18</u>	£000s	<u>2018/19</u>
	<u>Income</u>	
(57,138)	Other service income	(21,299)
(1,138)	Interest and investment income	(2,762)
-	Expected return on pension assets	-
(167,380)	Government Grants	(146,292)
(100,900)	Transport Levy	(99,900)
(326,556)	Total Income	(270,253)
	<u>Expenditure</u>	
19,503	Employee expenses	21,198
278,564	Other service expenses	248,919
4,675	Depreciation, amortisation and impairment	4,266
3,222	Interest payments	3,220
(7)	Gain or loss on disposal of non-current assets	601
1,716	Pension interest costs	1,886
307,673	Total Expenditure	280,090
(18,883)	(Surplus)/ deficit	9,837

## 5. Disposal of Fixed Assets

	2017/18	2018/19
	£000's	£000's
Net Book Value of Assets	-	880
Proceeds from sale	-	(279)
(Profit)/Loss on disposal of fixed assets by the Authority	-	601

## 6. Financing Income and Costs

	2017/18	2018/19
	£000's	£000's
Interest receivable on Loans, deposits and other debts	(1,138)	(2,761)
Interest payable on Loans	3,222	3,220
Effect of early settlement of Loans	(76)	(33)

## 7. Pension Costs

### 7.1 Defined Benefit Pension Scheme

The Combined Authority is a member of the West Yorkshire Pension Fund, administered by Bradford Metropolitan City Council. The West Yorkshire Pension Fund is part of the Local Government Pension Scheme (LGPS) and is subject to statutory Local Government Pension Scheme Regulations, which specify the benefits earned, the contribution rates for employees, and the framework for calculating employers' contribution rates, which are determined by triennial actuarial valuations.

The West Yorkshire Pension fund is treated as a defined benefit scheme under IAS19, meaning that the Combined Authority and their employees pay contributions into a fund, calculated at a level intended to balance the pension's liabilities with investment

assets. The contribution rate for 2018/19 is 14.6% (14.6% for 2017/18), and the deficit lump sums are £1.254m and £1.215m for 2018/19 and 2017/18 respectively.

## 7.2 Capital Cost of Discretionary Increase in Pension Payments

The Combined Authority is required to disclose the capital cost of discretionary increases in pension payments, which related to the award of added years on the early retirement of employees. Separate disclosure is required for the in-year discretionary awards and the ongoing costs of previous years discretionary payments. The capital costs relating to the awards of discretionary added years are set out below:

	2017/18 £000's	2018/19 £000's
Current Employees	3,290	3,471
Former Employees	1,076	890

A proportion of the pension costs in respect of former employees is in respect of staff transferred to Yorkshire Rider Limited (now First West Yorkshire), as explained in the Combined Authority's accounting policy note on pension costs.

## 7.3 Actuarial Assumptions

The Combined Authority's West Yorkshire Pension Fund assets and liabilities have been assessed by AON Hewitt Ltd, an independent firm of actuaries. In calculating the assets and liabilities, the fund's actuaries had to make a number of assumptions about events and circumstances in the future, meaning that the results of actuarial calculations are subject to uncertainties within a range of possible values.

The main assumptions used:

	2017/18		2018/19	
	Unfunded 12yrs	Funded 14.3yrs	Unfunded 12yrs	Funded 14.3yrs
Duration of liabilities				
Inflation : RPI	3.2%	3.2%	3.3%	3.3%
CPI	2.1%	2.1%	2.2%	2.2%
Rate of increase in salaries	-	3.4%	-	3.5%
Rate of increase for pensions in payment	2.1%	2.1%	2.2%	2.2%
Pension account revaluation rate	-	2.1%	-	2.2%
Rate used to discount funded scheme liabilities	2.6%	2.6%	2.4%	2.4%

### Post retirement mortality (retirement in normal health) :-

2017/18		2018/19	
Standard SAPS Normal Health All Amounts		Standard SAPS Normal Health All Amounts	
Males :	CMI 2012 Long term rate of improvement of 1.5%	Males :	CMI 2012 Long term rate of improvement of 1.5%
Females :	CMI 2012 Long term rate of improvement of 1.5%	Females :	CMI 2012 Long term rate of improvement of 1.5%
Life Expectancy			
	2017/18	2018/19	
- of a male (female) future pensioner aged 65 in 20yrs time	23.1 (27.1) Years	23.2 (27.2) Years	
- of a male (female) current pensioner aged 65	22.1 (25.3) Years	22.2 (25.4) Years	

As part of the latest 2013 actuarial valuation the mortality experience was analysed across the fund over a 3 year period and assumptions have been amended regarding life expectancy. The mortality allowance for future improvements uses the Continuous Mortality Investigation (CMI) Mortality Projections model with the model updated annually to reflect the latest emerging experience. This means there will continue to be regular changes to the assumptions for future improvements in mortality rates as new data is taken into account.

## 7.4 Sensitivity Analysis

Any change in the above assumptions would have an impact on the present value of the defined benefit obligation. The sensitivity analysis below shows the impact on the liability if each assumption changes by 0.1% (or 1 year for mortality assumptions). In each case all other assumptions remain constant.

### Funded LGPS benefits (Combined Authority)

Adjustment to discount rate	+0.1%pa	Base Figure	-0.1%pa
Present value of total obligation £000's	164,993	167,368	169,777
% change in present value of total obligation	-1.4%		1.4%
Projected service cost £000's	4,765	4,888	5,014
Approximate % change in projected service cost	-2.5%		2.6%
Adjustment to rate of increase in salaries	+0.1%pa	Base Figure	-0.1%pa
Present value of total obligation £000's	167,886	167,368	166,855
% change in present value of total obligation	0.3%		-0.3%
Projected service cost £000's	4,888	4,888	4,888
Approximate % change in projected service cost	0.0%		0.0%
Adjustment to pension increase rate and the rate of revaluation of pension accounts	+0.1%pa	Base Figure	-0.1%pa
Present value of total obligation £000's	169,256	167,368	165,502
% change in present value of total obligation	1.1%		-1.1%
Projected service cost £000's	5,014	4,888	4,765
Approximate % change in projected service cost	2.6%		-2.5%
Adjustment to mortality age rating assumption	-1 year	Base Figure	+1 year
Present value of total obligation £000's	172,649	167,368	162,133
% change in present value of total obligation	3.2%		-3.1%
Projected service cost £000's	5,078	4,888	4,700
Approximate % change in projected service cost	3.9%		-3.9%

## 7.5 Reconciliation of unfunded/funded status to Balance Sheet

2017/18			2018/19		
£000's	£000's	£000's	£000's	£000's	£000's
Unfunded	Funded	All Benefits	Unfunded	Funded	All Benefits
	145,790	145,790		153,571	153,571
10,790	209,746	220,536	10,300	227,911	238,211
(10,790)	(63,956)	(74,746)	(10,300)	(74,340)	(84,640)
-	-	-	-	-	-
(10,790)	(63,956)	(74,746)	(10,300)	(74,340)	(84,640)

## 7.6 Pension Assets

2017/18			2018/19		
£000's	£000's		£000's	£000's	
Unfunded	All Benefits		Unfunded	All Benefits	
-	143,837	Opening balance 1 April	-	145,790	
-	3,552	Interest income on scheme assets	-	3,746	
-	1,928	Remeasurement of (losses)/gains	-	7,584	
1,045	4,374	Contributions paid by employer	969	3,461	
-	1,229	Member Contributions		1,074	
-	-	Net increase in liabilities from disposals/aquisitions			
(1,045)	(9,130)	Benefits paid	(969)	(8,084)	
-	145,790	Closing balance 31 March	-	153,571	
2017/18		Actual return on assets			
£000's					
3,552		Interest income on assets	3,746		
1,928		Remeasurement gain/(loss) on assets	7,584		
5,480		Actual return on assets	11,330		

Assets in the West Yorkshire Pension Fund are valued at fair value, principally market value for investments, and consist of the following categories set out below. The latest valuation of the pension scheme proportion as applied to the Combined Authority is rolled forward for 31 March 2019 (showing the proportion of assets between the classes of investment) and are as follows:-

	2017/18			Asset £000's	2018/19			Asset £000's
	Quoted %	Unquoted %	Total %		Quoted %	Unquoted %	Total %	
Equities	75.8	7.2	83.0	121,120	62.5	11.5	74.0	113,642
Government Bonds	7.0	0.0	7.0	10,216	11.2	0.0	11.2	17,200
Other Bonds	2.8	0.0	2.8	4,022	4.0	0.0	4.0	6,143
Property	3.4	0.0	3.4	4,890	0.2	4.5	4.7	7,218
Cash/Liquidity	1.3	0.0	1.3	1,956	0.0	2.3	2.3	3,532
Other	0.7	1.8	2.5	3,586	0.0	3.8	3.8	5,836
Total	91.0	9.0	100.0	145,790	77.9	22.1	100.0	153,571

## 7.7 Reconciliation of present value of scheme liabilities

2017/18			2018/19		
£000's	£000's		£000's	£000's	
Unfunded	All Benefits		Unfunded	All Benefits	
11,456	216,221	Opening balance 1 April	10,790	220,536	
	4,045	Current service cost		4,341	
273	5,268	Interest cost	268	5,632	
	1,229	Member Contributions		1,074	
	40	Past service cost		2,645	
1	1,085	Actuarial gain/loss financial assumptn	181	10,763	
-	-	Actuarial gain/loss Demographic			
105	1,778	Actuarial gain/loss experience	30	2,273	
		Curtailments			
		Net increase in liabilities from disposals/acquisitions			
(1,045)	(9,130)	Benefits paid	(969)	(9,053)	
10,790	220,536	Closing balance 31 March	10,300	238,211	

At 31 March 2019, there were two emerging national pension issues, namely McCloud Judgement & Guaranteed Minimum Pension (GMP) Equalisation. Under the guidance of the Government Actuary's Department and advice from the Fund's actuary Aon, a £2,645k Constructive Obligation has been included in the account. This is treated as past service costs.

## 7.8 The amounts recognised in the Comprehensive Income and Expenditure Statement

2017/18		2018/19
£'000	Cost of Service	£'000
4,045	Current Service Cost	4,341
40	Past Service Cost	2,645
-	Curtailments or settlements	-
-	Financing Investment Income and Expenditure	-
1,716	Interest on net defined benefit liability	1,886
5,801	Total pension cost recognised	8,872
	Remeasurements in Other Comprehensive Income and Expenditure	
(1,928)	Return on plan assets (in excess)/below that recognised in net interest	(7,584)
1,085	Actuarial (gains)/losses due to change in Financial assumption	10,763
-	Actuarial (gains)/losses due to change in Demographic assumption	-
1,778	Actuarial (gains) due to liability experience	2,273
935	Total amount recognised in Other Comprehensive income	5,452
-	Net increase in liabilities from disposals/acquisitions	-
6,736	Total amount recognised	14,324

## 7.9 Estimated pension expense in future periods

This is an estimate of the charges to the surplus or deficit on the income and expenditure account in future period, based on the assumptions as at 31 March 2019.

Funded LGPS benefits - Expected amounts charged to Surplus or Deficit on the Provision of Services

	31/03/2020
	£'000
Projected service cost	4,888
Past Service cost	-
Interest on the net defined benefit liability/(asset)	710
	5,598

Unfunded LGPS benefits - Expected amounts charged to Surplus or Deficit on the Provision of Services

	31/03/2020
	£'000
Interest on the net defined benefit liability/(asset)	235
	235

## 8 Government and Other Grant Income

The Combined Authority credited the following grants and contributions to the Comprehensive Income and Expenditure Statement against the appropriate provision of services:

<u>Revenue credited to cost of Service</u>	2017/18 £000's	2018/19 £000's
Transport Services		
Special Rail Grant (SRG) - Department for Transport	919	878
Bus Service Operator Grant - Department for Transport	2,063	2,063
	<u>2,982</u>	<u>2,941</u>
Economic Services & Strategy, Policy and Communications		
Apprentice Grant for Employers - Dept. Business Innovation & Skills	3,255	92
Enterprise Advisor - Careers & Enterprise Company	206	409
Strategic Heat Network - Dept. Energy and Climate Change	304	6
Employer Ownership Partnership - Dept. Bus Innovation & Skills	1001	-
Business Growth Hub - Dept. Business Innovation & Skills	512	512
Growth Service - Business Rates Pool	-	44
Headstart - Skills Funding Agency	-	52
Careers Learning Pilot - Learning & Work Institute	-	262
Employment Hub, [re]boot & Investment Readiness - European Structural Fund	-	1,095
Access&Innovation and Resource Efficiency Fund - European Regional Development Fund	215	1,007
Strategic Growth Funding - European Regional Development Fund	162	1,003
Planning Delivery Fund - Ministry of Housing, Communities and Local Government	20	-
Energy Strategy Programme - Department of Energy and Climate Change	49	-
Low Emission Buses - Ministry of Housing, Communities and Local Government	-	234
Travel Plan Network - Interreg	-	103
S31 Skills grant - Department for Education	-	244
Key Account Management - Dept. International Trade	-	200
Energy Hub - Tees Valley Combined Authority	-	10
	<u>5,724</u>	<u>5,273</u>

## 9 Non-Specific Grant Income

The Combined Authority credited the following grants to the Comprehensive Income and Expenditure Statement under non-specific grant income.

	2017/18 £000's	2018/19 £000's
Capital grants and other Contributions		
Local Growth Fund Allocation - Ministry of Housing, Communities and Local Government	72,228	74,349
Leeds Public Transport Package - Department for Transport	21,000	-
One Public Estate - Ministry of Housing, Communities and Local Government	285	395
ULEV Taxi Scheme - Department for Transport	29	15
Integrated Transport Block/Maintenance - Department for Transport	52,269	42,343
BEACONS - DCMS	125	-
Section 31 Cycle City Ambition Grant - Department for Transport	4,176	13,799
Cleaner Bus Technology Grant - Department for Transport	348	54
Flood Resilience Fund - Department for Transport	2,311	-
HS2 Strategy Tranche 2 - Department for Transport	921	102
Other Capital Contributions	4,855	7,320
	<u>158,547</u>	<u>138,377</u>
Local Authority Levies	<u>100,900</u>	<u>99,900</u>

The funding for the provision of rail services under the franchising arrangements was no longer paid directly to the Combined Authority from April 2017. The Combined Authority received the contribution to its administration costs. The amounts received as follows:

	2017/18 £000's	2018/19 £000's
Contribution to the Combined Authority's administration costs	919	878
	<u>919</u>	<u>878</u>

## 10 Officers' Remuneration and Members Allowances

### a) Employee costs

	2017/18 £000's	2018/19 £000's
Wages and Salaries	13,707	15,048
National Insurance Contribution	1,360	1,493
Other Pension Costs	3,176	3,419
	<u>18,243</u>	<u>19,960</u>

Members' Allowances and expenses: the total members' allowances paid in the year to 31 March 2019 was £136,424 (£146,112 at 31 March 2018)

### (b) Average number of employees

	2017/18 <u>Number</u>	2018/19 <u>Number</u>
Manual	37	33
Management and Administration	466	492
	<u>503</u>	<u>525</u>

### (c) Unused holiday entitlement

	2017/18 £'000s	2018/19 £'000s
Unused holiday entitlement:	<u>192</u>	<u>189</u>

The Combined Authority's policy on flexi-leave carried over is that it does not give rise to a financial entitlement.

(d) The Accounts and Audit Regulations 2015 requires local authorities to disclose Information on their employees' remuneration in three sections. Full details are required for senior employees who have a role in the overall management of the local authority or who occupy certain statutory posts, and whose annual salary is above £50,000. Those senior officers whose salary is above £150,000 are required to be named.

In addition two summary disclosures are required, covering the numbers of other staff whose total remuneration (i.e. salary plus pension etc.) is above £50,000, and the number and value of all exit packages agreed during the year.

## Senior Employees

The following table gives details of the remuneration for senior officers (as defined above) with an annual salary of above £50,000:

		Salary Fees Allowances	Bonuses	Expenses Allowances	Pension Contributions	Total
Managing Director - Ben Still	2017/18	153,015	-	140	22,340	175,495
	2018/19	156,075	-	192	22,787	179,054
Director, Transport Services	2017/18	92,132	-	30	13,451	105,613
	2018/19	98,922	-	-	14,443	113,365
Director of Delivery	2017/18	101,831	-	42	14,867	116,740
	2018/19	108,814	-	-	15,887	124,701
Director of Corporate Services-S73 Officer	2017/18	101,831	-	-	14,867	116,698
	2018/19	108,814	-	41	15,887	124,742
Director of Policy, Strategy and Communications (left Dec 17)	2017/18	76,373	-	-	11,150	87,523
Interim Director of Policy, Strategy and Communications	2017/18	20,035	-	-	2,925	22,960
Interim Director of Policy, Strategy and Communications (to Sept 18)	2018/19	40,872	-	0	5,967	46,839
Director of Policy, Strategy and Communications (fr Sept 19)	2018/19	47,249	-	59	6,898	54,206
Executive Head of Economic Services	2017/18	80,141	-	57	11,701	91,899
	2018/19	86,046	-	115	12,563	98,724
Head of Legal & Governance Services	2017/18	71,588	-	10	10,452	82,050
	2018/19	76,671	-	24	11,194	87,889

The Chair of Leeds City Region Enterprise Partnership (LEP) is an independent member, an annual fee of £60k was paid to the Chair on IR35 basis.

## Other employees

The following table gives the numbers of employees whose total remuneration is above £50,000 but who are not included in the detailed disclosure for senior employees given above.

Band	Senior Officers 2017/18	Senior Officers 2018/19
£50,001 - £55,000	11	16
£55,001 - £60,000	5	7
£60,001 - £65,000	2	4
£65,001 - £70,001	5	4
£70,001 - £75,000	1	3
£75,001 - £80,000	-	1
£80,001 - £85,000	-	-
£90,001 - £95,000	-	-
£95,001 - £100,001	-	-
£100,001 - £105,000	-	-
£115,001 - £120,000	-	-
	24	35

## Costs of redundancies and other leavers

Termination benefits were paid by the Combined Authority arising from the termination of employment incurring liabilities of £76,346 in 2018/19 (£239,041 2017/18). The exit package payable included voluntary redundancy payments and enhanced pension benefits payable arising from the re-structuring and rationalisation of specific business areas.

Exit Package cost band (inc. special payments)	Number of compulsory redundancies		Number of other departures		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18 £	2018/19 £
£0-£20,000	5	9	-	-	5	9	51,164	76,346
£20,001-£40,000	1	-	1	-	2	-	58,041	-
£40,001-£60,000	1	-	1	-	2	-	97,762	-
£60,001-£80,000	-	-	1	-	1	-	71,514	-
£80,001-£100,000	-	-	-	-	-	-	-	-
Total	7	9	3	-	10	9	278,481	76,346

## 11 Property, Plant & Equipment

- (a) Previously a revaluation of the Combined Authority's On-Street Furniture was carried out by the Infrastructure Manager as an internal expert at 31 March 2008. All On-Street Furniture was included in the revaluation. The basis of the valuation was depreciated replacement cost as these assets are deemed to be specialised.

The On-street furniture assets under IFRS code are re-classified as infrastructure assets and valued at historical cost deemed to be the value at 1 April 2007 adjusted for subsequent depreciation or impairment. As the valuation method used at 31 March 2008 was on a depreciated replacement cost basis this acts as a suitable proxy for historical cost.

As at 31<sup>st</sup> March 2019, a desk top revaluation of the Combined Authority's non-infrastructure land and buildings was carried out by an MRICS qualified valuer of Lambert Smith Hampton, a firm of external Chartered Surveyors. The full revaluation was carried out as at 31 March 2015 on an Existing Use Value (EUV) basis in accordance with IAS16.

The Combined Authority have considered the impairment of fixed assets in accordance with IAS 36 and after taking into account factors since external surveyors reviewed the property portfolio can identify no circumstances or events that would affect the carrying values of the assets. The desktop revaluation by the external surveyors as at 31 March 2019 also confirmed this position.

### (b) Assets Held for Sale

The Combined Authority has no asset held for sale as at 31 March 2019.

### (c) Donated Assets Account

The CIPFA code introduces the concept of Donated Assets where assets have been acquired for less than their fair value. The code stipulates that the difference between the fair value of the asset and the consideration paid shall be recognised immediately in the Comprehensive Income and Expenditure Statement as income, or in the event that the transfer has conditions, recognised in the Donated Assets Account until such time as the conditions have been met. The Combined Authority's leased bus stations and land at Apperley Bridge (finance leases on-balance sheet) meet the criteria of Donated Assets with conditions attached, as failure to fulfil the conditions on an on-going basis would result in the assets being returned to the relevant local authorities. These assets were received at little or no cost but are recognised on the balance sheet at fair value to reflect the true benefit of these assets with a corresponding reserve created in the form of a Donated Assets Account. The Donated Assets Account also recognises revaluation gains arising before conversion to historical cost basis as at 1 April 2007. After initial recognition Donated Assets are categorised as either Infrastructure Assets and are valued at historical cost or for Non-Infrastructure Assets are valued at current value.

Donated Assets Account		
	2017/18	2018/19
	£000's	£000's
Balance at start of the year	668	668
Movement in year	-	-
Balance at end of the year	<u>668</u>	<u>668</u>

## (d) The Balance Sheet movements of Fixed Assets

2017/18

	INFRA- LAND AND BUILDINGS	STRUCTURE ASSETS	DONATED VEHICLES ASSETS	VEHICLES OWNED	VEHICLES LEASED	PLANT & EQUIPMENT OWNED	PLANT & EQUIPMENT LEASED	PAYMENTS ON ACCOUNT AND ASSETS IN THE COURSE OF CONSTRUCTION	
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
<b>COST VALUATION</b>									
Opening Balance	151,096	9,423	79,666	763	22,637	8	22,844	54	15,701
Additions	2,736		341		348		25	-	2,022
Transfer from payments on assets in course of construction	-						48	-	(48)
Disposals	-							-	
Revaluation Adjustments	255	255						-	
Reclassification Adjustments	-							-	
Write off to Revenue	(1,017)							-	(1,017)
Transfer Assets held for sale	-							0	
At 31 March 2018	153,070	9,678	80,007	763	22,985	8	22,917	54	16,658
<b>ACCUMULATED DEPRECIATION</b>									
Opening Balance	69,211	327	29,037	408	17,190	8	22,187	54	-
Charge for the year	4,674	280	2,575	10	1,559		250		-
Disposals	-								-
Reclassification adjustments	-								-
Revaluation Adjustments	(607)	607							-
Transfer Assets held for Sale	-								-
At 31 March 2018	73,278	-	31,612	418	18,749	8	22,437	54	-
<b>NET BOOK VALUES</b>									
31 March 2018	79,792	9,678	48,395	345	4,236	-	480	-	16,658
Opening Balance	-	-	-	-	-	-	-	-	-
31 March 2017	81,885	9,096	50,629	355	5,447	-	657	-	15,701

2018/19

	INFRA- LAND AND BUILDINGS	STRUCTURE ASSETS	DONATED VEHICLES ASSETS	VEHICLES OWNED	VEHICLES LEASED	PLANT & EQUIPMENT OWNED	PLANT & EQUIPMENT LEASED	PAYMENTS ON ACCOUNT AND ASSETS IN THE COURSE OF CONSTRUCTION	
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
<b>COST VALUATION</b>									
Opening Balance	153,070	9,678	80,007	763	22,985	8	22,917	54	16,658
Additions	1,379		9		234		384		752
Transfer from payments on assets in course of construction	-								
Disposals	(4,496)				(4,496)				
Revaluation Adjustments	727	727							
Reclassification Adjustments	-								
Write off to Revenue	(927)								(927)
Transfer Assets held for sale	-								
At 31 March 2019	149,753	10,405	80,016	763	18,723	8	23,301	54	16,483
<b>ACCUMULATED DEPRECIATION</b>									
Opening Balance	73,278	0	31,612	418	18,749	8	22,437	54	-
Charge for the year	4,266	285	2,588	10	1,214		169		-
Disposals	(3,615)				(3,615)				-
Reclassification adjustments	-								-
Revaluation Adjustments	(285)	(285)							-
Transfer Assets held for Sale	-								-
At 31 March 2018	73,644	0	34,200	428	16,348	8	22,606	54	-
<b>NET BOOK VALUES</b>									
31 March 2019	76,108	10,405	45,816	335	2,375	-	695	-	16,483
Opening Balance	-	-	-	-	-	-	-	-	-
31 March 2018	79,792	9,678	48,395	345	4,236	-	480	-	16,658

This note analyses the movement in the balance sheet value of the Combined Authority's land, building and other fixed assets. The table above shows a breakdown of the carrying value for each category of fixed assets. The balance sheet value is made up of the cost or valuation, less any accumulated depreciation and impairment.

Cost or valuation is the historical cost or revalued amount of assets at the beginning of the year, plus any additions and revaluations (both positive and negative) during the year. The cost or revalued amount of assets disposed of during the year is written out to give the year end balance.

The accumulated depreciation for an asset is written out when the asset is revalued, and all accumulated depreciation and impairment values are written out when an asset is disposed of.

#### (e) Gains or losses on the disposal of fixed assets

The figures shown in the Comprehensive Income and Expenditure account for gains or losses on the disposal of fixed assets represents the difference between the carrying value of assets which have been disposed of and the proceeds of any sale, less any administrative costs of disposal. The table below gives a breakdown of the figures.

	2017/18	2018/19
	£000's	£000's
Receipts from sale of fixed assets	-	(279)
Value of fixed assets disposed of	-	880
Total (gain) or loss on disposal of fixed assets	-	601

## 12 Related Party Transactions

The Combined Authority is required to disclose material transactions with related parties in accordance with IAS 24 "Related party transactions". Related parties are bodies or individuals that have the potential to control or influence the Combined Authority or to be controlled or influenced by the Combined Authority. Disclosure of these transactions allows readers to assess the extent to which it might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Combined Authority.

### Members

The Combined Authority requires Members to complete a declaration of members' disclosable pecuniary interests. This information is used to prepare this note.

All members have at least two roles under the Local Government Act 1985 in that they are members of one of the five constituent levying local authorities or City of York Council and are appointed to the Combined Authority or co-opted to one or more of its committees.

The Combined Authority has a number of financial transactions with related parties. The significant revenue transactions, not separately disclosed elsewhere or covering basic areas of expenditure such as rates and other service charges are:

The UK Government exerts significant influence through legislation and the grant funding it provides to the Combined Authority. Government grant funding received is disclosed in Note 8 and 9.

In 2018/19, there was a total of £8,077k transaction with York City Council. During the year, one of the members appointed to the Combined Authority has been the Vice Chancellor for University of Huddersfield (UoH). Two others have been the directors for Rail North (RN) Limited. Transactions with UoH and RN limited were £2,359k and £425k respectively.

- The Combined Authority receives financing through its Levy and contributions to the economic activities of the City Region from the local authorities.
- The Combined Authority provides agency services for Education transport for which they are paid fees.
- The Combined Authority received Local Transport Block Funding of which an allocation was paid to the local authorities.

The figures for 2018/19 are set out below:

Amounts received by the Combined Authority

	Education transport		Transport Levy		LCR LEP Funding	
	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19
	£m	£m	£m	£m	£m	£m
City of Bradford Council	1.7	1.1	23.7	23.4	0.10	0.12
Calderdale MDC	1.0	0.5	9.1	9.0	0.05	0.05
Kirklees MDC	0.4	0.7	18.6	18.4	0.10	0.10
Leeds City Council	1.5	0.8	34.1	33.8	0.19	0.19
Wakefield MDC	2.1	1.5	15.4	15.3	0.08	0.09
	<u>6.7</u>	<u>4.6</u>	<u>100.9</u>	<u>99.9</u>	<u>0.52</u>	<u>0.55</u>

Amounts paid by the Combined Authority

	LTP Block Funding		Transport Fund	
	2017/18	2018/19	2017/18	2018/19
	£m	£m	£m	£m
City of Bradford Council	8.8	9.2	0.36	5.8
Calderdale MDC	5.2	5.2	0.12	6.1
Kirklees MDC	8.4	8.5	0.53	2.1
Leeds City Council	12.5	12.2	2.04	18.7
Wakefield MDC	5.7	12.1	5.54	3.1
	<u>40.6</u>	<u>47.2</u>	<u>8.59</u>	<u>35.8</u>

## Officers

As in the case of members, there is a code of conduct governing the disclosure of interests held by officers. Under s117 of the Local Government Act 1972, senior officers are required to disclose any pecuniary interests they hold.

The Managing Director is a board member of Transport for the North and also a board director for Urban Transport Group. Transactions with the two related parties were £0.36m and £0.8m respectively during 2018/19.

Yorcard Ltd is a Joint Venture trading company operated in conjunction with South Yorkshire Passenger Transport Executive (SYLTE), and is fully disclosed in note 24. The Director of Transport Services of the Combined Authority is a board director of Yorcard Ltd.

West Yorkshire Ticketing (TICCO) Ltd administers and develops a range of multi-operator, multi-modal tickets. The Director of Transport Services of the Combined Authority is a Director of TICCO Ltd during the year ended 31 March 2019. During the year ended 31 March 2019, there was no transaction between TICCO and the Combined Authority.

Bradford Opportunity Area (BOA) partners with local governments and third party organisations to overcome the challenges facing children and young people and those who support them. In 2018/19, the Executive Head of Economic Service was a board member of BOA representing the Local Enterprise Partnership (LEP) and the Combined Authority. There was a total of £39k transactions with the BOA during the year.

### Payments to Operators

The Combined Authority makes significant payments to operators funded from the transport levy. These payments to operators fall into the three main categories of concessionary fares, subsidised bus services and franchised local rail services.

Payments for concessionary fares are made in accordance with the Combined Authority's concessionary fares scheme which is based on the reimbursement guidance issued by the Department for Transport. The Combined Authority has entered into three year agreements with the major bus operators within the framework of this guidance which removes an element of financial risk for all parties.

Subsidised bus services are secured by the Combined Authority, within the overall framework of the Combined Authority's policies, where they are considered to be socially necessary and no commercial service or adequate commercial service exists. All licensed operators are eligible to submit tenders for services required.

In accordance with its overall policies the Combined Authority administers a prepaid ticket scheme. The Combined Authority receives revenues from prepaid ticket sales which are then pooled and distributed to operators based on passenger journey and usage data collected by the Combined Authority. The figures of payment made to operators are set out below:

Payments to Operators		
	2017/18	2018/19
	£000's	£000's
Payments to Bus Operators	31,804	33,504
	<u>31,804</u>	<u>33,504</u>

### 13 Exceptional Item

There were no exceptional items in 2018/19 or in 2017/18.

### 14 Taxation

The West Yorkshire Combined Authority is deemed to be a body with the power to issue a levy by virtue of regulations under section 74 of the Local Government Finance Act 1988 and is therefore exempt from paying Corporation tax, income tax and capital gains tax.

## 15 Short Term Debtors

	2017/18	2018/19
	£000's	£000's
Central government bodies	4,615	5,888
Other Local Authorities	6,859	22,324
Bodies external to government	14,790	16,169
Bad debt provision	(34)	(179)
	<u>26,230</u>	<u>44,202</u>

Trade and other receivables are non-interest bearing financial instruments. There is no material difference between the carrying value and the fair value of trade and other receivables.

## 16 Cash & Cash Equivalents

	2017/18	2018/19
	£000's	£000's
Bank Current Accounts	42,891	73,034
	<u>42,891</u>	<u>73,034</u>

Cash balances include £5.6m held on behalf of third parties at the end of 2018/19. (£5.6m in 2017/18). The liability to repay these amounts is included under Trade and Other Payables.

Cash at bank and short term deposits earn interest at floating rates based on bank deposit rates. There is no material difference between the carrying value and fair value of cash and cash equivalents.

## 17 Long Term Debtors – Loans

	2017/18	2018/19
	£000's	£000's
<u>Soft Loans</u>		
Balance at 1 April	8,228	8,354
Nominal Value of Loans advanced during year	-	-
Loan conversion to grant in year		(300)
Effective interest to write back to carrying value	<u>126</u>	<u>129</u>
Balance at 31 March	8,354	8,184
<u>Other Loans Advanced</u>		
Balance at 1 April	18,788	19,430
Loans transferred	-	352
Loans repaid	(1,286)	(9,696)
Impairment of Loan	-	(800)
Loans advanced during the year	1,928	9,297
Balance at 31 March < 1 year	<u>(4,151)</u>	<u>(9,175)</u>
Balance at 31 March > 1 year	<u>15,279</u>	<u>9,407</u>
Total Long Term Debtor - Loans	<u>23,633</u>	<u>17,591</u>

The majority of loans were made under the Governments Growing Places Fund initiative which was set up in 2015 to support key infrastructure projects designed to unlock wider economic growth, create jobs and build houses in England. The fund is an important boost for local economies and provides a major opportunity for local enterprise partnerships and local authorities to identify and prioritise the infrastructure they need for growth. The range of projects being supported include site access/site clearance, transport infrastructure, utilities and refurbishment of buildings. The loan of £800k to

LEP loan 304 was impaired in full at 31 March 2019 on the basis that the company entered into financial difficulties with little prospect of the loan being repaid.

## 18 a). Trade and Other Payables

	2017/18	2018/19
	£000's	£000's
Central Government Bodies	426	441
Other Local Authorities	20,511	26,912
Bodies external to Government	30,944	38,128
	<u>51,881</u>	<u>65,481</u>

## b). Accrued and Deferred Income

	2017/18	2018/19
	£000's	£000's
Central Government Bodies	22,573	14,814
Other Local Authorities	2,888	1,986
Bodies external to Government	192	4,353
	<u>25,653</u>	<u>21,153</u>

### Notes

(a) Central government deferred income relates to Grants received in advance where conditions have not been met at the year end.

(b) Other Local Authorities deferred income relates to capital contributions to small infrastructure projects that have not yet been complete and conditions remain outstanding.

Trade and other payables are non-interest bearing financial instruments. There is no material difference between the carrying value and the fair value of trade and other payables.

## 19 Loans Outstanding

	2017/18	2018/19
	£000's	£000's
Lender:-		
Public Works Loans Board	50,728	50,728
Other Market Loans	25,320	25,319
Short Term Loans		
	<u>76,048</u>	<u>76,047</u>
Maturity:-		
Loans repayable within 12 months	1,048	1,047
1-2 years	-	-
2-5 years	-	-
5-10 years	-	-
More than 10 years	75,000	75,000
	<u>76,048</u>	<u>76,047</u>

## 20 Capital Expenditure and Financing

	2017/18 £000's	2018/19 £000's
Capital Expenditure		
Fixed Assets	2,736	1,379
Revenue expenditure funded from capital under statute	140,191	147,903
Long-term investments and capital loans	1,928	9,297
	<u>144,855</u>	<u>158,579</u>
Capital Financing		
Borrowing (credit approvals)	-	-
Capital receipts	-	-
Government grants	140,071	150,694
Other contributions	4,784	7,885
	<u>144,855</u>	<u>158,579</u>

## 21 Financial Instruments

Financial liabilities, financial assets represented by loans, creditors and trade receivables and short-term debtors are carried in the Balance Sheet at amortised cost. Their fair value is assessed as the amount at which the instrument could be exchanged in a current transaction between willing parties.

Trade and other receivables are non-interest bearing financial instruments. The short term nature of these instruments means there is no material difference between the carrying value and fair value.

	2017/18		2018/19	
	£000's Carrying Amount	£000's Fair value	£000's Carrying Amount	£000's Fair value
<b>Financial Assets</b>				
Short term debtors	26,230	26,289	44,202	44,220
Cash and cash equivalents	42,891	42,891	73,034	73,034
Short term investment	133,088	132,772	99,590	99,392
Long term Debtors- Soft Loans Advanced	8,354	8,359	9,312	9,466
Long term Debtors- Commercial Loans Advanced	15,279	18,268	8,280	9,903
	<u>225,842</u>	<u>228,579</u>	<u>234,418</u>	<u>236,015</u>
<b>Financial Liabilities</b>				
Short-term Payables	77,534	77,534	86,634	86,634
Floating rate borrowing - due within 1yr	-	-	-	-
Fixed Rate borrowing - due within 1 yr	-	-	-	-
Floating rate borrowing - due after 1yr	-	-	-	-
Fixed Rate borrowing - due after 1 yr	76,048	113,657	76,047	115,572
	<u>153,582</u>	<u>191,191</u>	<u>162,681</u>	<u>202,206</u>

The Combined Authority has considered the balance sheet carrying values i.e. amortised costs of financial instruments of the Combined Authority. It is required to disclose the fair value and carrying value for those financial instruments whose carrying value is not a reasonable approximation for fair value. Only the Combined Authority's loan portfolio and short term investment which fall into this category.

## 21.1 Fair Value hierarchy for financial assets and financial liabilities that are not measured at fair value

	2017/18			Total £000
	Quoted prices in active markets for identical assets (Level 1) £000	Other significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	
<b>Financial Liabilities</b>				
financial liabilities held at amortised cost:				
Loans/borrowings (PWLB and other market loans)	-	113,657	-	113,657
Trade payables	-	-	77,284	77,284
<b>Total</b>	-	<b>113,657</b>	<b>77,284</b>	<b>190,941</b>
<b>Financial assets</b>				
Loans and receivables:				
Soft loans to third parties	-	8,359	-	8,359
Other loans and receivables	-	18,268	26,289	44,557
Short term Investments	-	132,772	-	132,772
<b>Total</b>	-	<b>159,399</b>	<b>26,289</b>	<b>185,688</b>

	2018/19			Total £000
	Quoted prices in active markets for identical assets (Level 1) £000	Other significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	
<b>Financial Liabilities</b>				
financial liabilities held at amortised cost:				
Loans/borrowings (PWLB and other market loans)	-	115,572	-	115,572
Trade payables	-	-	86,634	86,634
<b>Total</b>	-	<b>115,572</b>	<b>86,634</b>	<b>202,206</b>
<b>Financial assets</b>				
Loans and receivables:				
Soft loans to third parties	-	9,466	-	9,466
Other loans and receivables	-	9,903	36,252	46,155
Short term Investments	-	99,392	-	99,392
<b>Total</b>	-	<b>118,761</b>	<b>36,252</b>	<b>155,013</b>

## 21.2 Loans Advanced and Borrowings

Fair value is determined by calculating the Net Present Value of future cash flows, thus estimating the value of future payments in today's terms. This is a widely accepted and commonly used valuation technique. The discount rate used should be equal to the current rate for a similar loan from a comparable lender. This will be the market rate applicable on the date of valuation for a loan with the same outstanding period to maturity.

However, it may be unlikely that the future cash flows of a loan will fall in equal time periods from the date of valuation, so adjustments are made to each discount factor in order to account for the timing inequality.

The purpose of the fair value disclosure is primarily to provide a comparison with the carrying value, which includes accrued interest as at the balance sheet date, therefore we have included accrued interest in the fair value calculation.

The discount rates used for the evaluation were obtained by West Yorkshire Combined Authority from Link Asset Services. Link Asset Services is a leading and independent provider of capital financing, treasury advisory and strategic advisory consulting services to the public sector.

Assumptions used, which do not have a material effect on the fair value evaluation are: interest is calculated using a 365 day basis; interest is paid on the maturity date; no adjustment is made to the interest value and date where a relevant date occurs on a non-working day.

The fair value of financial liabilities and financial assets included in level 2 in the table above have been arrived at using discounted cashflow analysis as described above, the key input being the discount rate (the discount rate used by Capita for the GPF loans advanced has been modified using a risk adjusted EC reference rate as opposed to the PWLB new loan rate).

### 21.3 Financial instruments not measured at fair value

Financial assets		Financial liabilities	
Type	Valuation Technique	Type	Valuation Technique
Loans Advanced (Long term Debtor)	Discounted cashflows: The valuation model considers the present value of the cashflows expected over the remaining life of each loan discounted using a risk adjusted representative rate for new loans indicative of economic conditions and security at the measurement date 31 March 2019.	Loans and Borrowings	Discounted cashflows: The valuation model considers the present value of the cashflows expected over the remaining life of each loan discounted using lending rates for new loans based on PWLB rates at the measurement date 31 March 2019.
Soft Loans	Discounted cashflows : The valuation model considers the present value of the cashflows expected over the remaining life of each loan discounted using the PWLB new loan rates at the measurement date 31 March 2019.	Trade Payables	The fair value of trade payables is deemed to be the invoiced or billed amount.
Trade and other receivables	The fair value of trade and other receivables is taken to be the invoiced or billed amount.		
Short term	The valuation of the fixed term deposits which have no secondary market would be based on an investment with a similar lender for the remaining period of deposit at rates available at the measurement date. The accrued interest added on this basis would provide a fair value for the short term investments.		

	Effective interest rate	Maturity	2017/18 £000's	2018/19 £000's
<b>Current</b>			-	-
<b>Non- Current</b>				
Public Works Loan Board	3.70%	Jan 2056	5,000	5,000
Public Works Loan Board	4.40%	Jan 2052	5,000	5,000
Public Works Loan Board	4.40%	Jul 2054	8,000	8,000
Public Works Loan Board	4.40%	Jun 2053	8,000	8,000
Public Works Loan Board	4.55%	Jun 2052	4,000	4,000
Public Works Loan Board	4.55%	Apr 2055	6,000	6,000
Public Works Loan Board	4.55%	Apr 2056	6,000	6,000
Public Works Loan Board	4.55%	Apr 2057	8,000	8,000
Barclays - Fixed Rate Loan's (previously LOBO's)	3.97%	May 2065	5,000	5,000
Barclays - Fixed Rate Loan's (previously LOBO's)	3.80%	Aug 2065	5,000	5,000
Barclays - Fixed Rate Loan's (previously LOBO's)	3.99%	Oct 2066	5,000	5,000
Barclays - Fixed Rate Loan's (previously LOBO's)	4.30%	Dec 2076	5,000	5,000
Barclays - Fixed Rate Loan's (previously LOBO's)	4.32%	May 2077	5,000	5,000
			75,000	75,000
<b>Total</b>			75,000	75,000

## 21.4 Management of risks arising from financial instruments

There are a number of risks associated with financial instruments to which the Combined Authority is necessarily exposed. However the Combined Authority monitors and seeks to manage these risks in order to minimise the potential for losses to occur.

Credit risk is the risk that amounts due to the Combined Authority may not be received. Almost all of the Combined Authority's loans and investments are made for treasury management purposes, to generate income from available balances. The parameters within which these investments are made are set out within the approved Treasury Management Policy. The effect of this policy is to restrict as far as is practicable the Combined Authority's exposure to risk from the failure of a financial institution. It ensures that deposits are placed only with limited numbers of financial institutions whose credit rating is independently assessed as being sufficiently secure. The term and maximum deposit is also restricted to reduce risk exposure. The Combined Authority has exposure to credit risk on the Debtor Loans advanced to third parties. The Growing Places Fund Loans are riskier commercial loans with the interest rate reflective of the borrower's credit status and security provided. The financial status and credit score of the companies are regularly reviewed and monitored in order to minimise the instances of loss. The Local Growth Fund loans are to Local Authorities who are deemed to be low risk on the basis they are backed by government and required by law to make provision for loan repayments.

Liquidity risk is the risk that the Combined Authority may not have sufficient cash available to meet its day to day obligations to meet payments. The Combined Authority has access to borrowings from the Public Works Loans Board and commercial lenders to meet long term spending and shorter term cashflow requirements and these arrangements provide the appropriate level of finance to support the Combined Authority's current and future requirements. Also measures exposure to adverse rates.

Interest rate risk is the risk that future cashflows of a financial instrument will fluctuate because of changes in market interest rates. The majority of the Combined Authority's long term lending is at fixed interest rates but it also borrows some of its money in the form of fixed rate loans. This mix of lending assists the Authority in taking advantage of

changes to interest rates and it constantly reviews the potential for refinancing debt at more favourable rates.

The Combined Authority is also affected by fluctuations in shorter term interest rates as this impacts on the interest that can be earned in the year on deposits. This is carefully monitored and opportunities to secure advantageous interest rates are considered.

The Combined Authority is required to disclose the impact that a hypothetical change in market interest rates during the year would have had on its recognised gains and losses. It should be noted that had interest rates been different then in practice different decisions would have been taken in relation to rescheduling of debt and new borrowing and investment undertaken. It is not possible to quantify the likely impact of such different decisions. The Combined Authority's interest payable and receivable would have varied by a net £1,759k if interest rates varied by 1% in the year.

The Combined Authority is not exposed to any material currency risk.

## 22. Reserves

	2017/18	2018/19
	£000's	£000's
Usable Reserves	125,880	123,377
Unusable Reserves	(48,770)	(57,725)
Total Reserves	77,110	65,652

### 22.1 Useable Reserve

Usable reserves such as the General Fund are those where members will be involved in deciding on the levels maintained, and their use.

#### General Fund Reserve

The General Fund balance is a non-earmarked usable reserve and can be applied to fund any form of general revenue expenditure that aligns with the policies and objectives of the Combined Authority. The General Fund Balance has a surplus of £6.8m at 31 March 2019 (£5.2m 31 March 2018).

#### Rail Reserve

The Useable Reserves balance for the Combined Authority includes a Rail Reserve which is ear-marked for rail infrastructure investment and is to be held pending future investment into the rail projects. There is a balance of £0.86m at 31 March 2019.

#### New Generation Transport Reserves (NGT)

The Total Useable Reserves balance for the Combined Authority includes a New Generation Transport (NGT) Reserve of £0.97m at 31 March 2019 (£0.97m 31 March 2018). This earmarked reserves is for the purpose of delivering the Leeds NGT scheme. In May 2016 the Secretary of State announced that the NGT scheme would not be approved to progress although the £173.5m allocated to it would be made available for

public transport in Leeds. Plans to spend this money will be progressed during 2019 along with the future utilisation of the NGT reserve.

## West Yorkshire Transport Fund Reserve

In addition to the Reserves include the West Yorkshire Transport Fund Reserve to reflect additional levy contributions from the Local Authorities to develop strategic transport schemes in West Yorkshire and York. The reserve has a balance of £34.2m at 31 March 2019 (£28.1m 31 March 18).

## Capital Grant Unapplied

The Capital Grants Unapplied Reserve recognises capital grants received where conditions have been met but the application of the capital grants to expenditure on the acquisition, construction and enhancement of non-current assets has yet to be incurred.

### Capital Grants Unapplied

	2017/18	2018/19
	£000's	£000's
Opening Balance	73,608	88,266
Capital Grant unapplied/(applied)	14,658	(17,292)
Balance carried Forward	<u>88,266</u>	<u>70,974</u>

## Useable Capital Receipts reserve

Income from the disposal of fixed assets is credited to the usable capital receipts reserve. The usable element can be applied to the financing of new capital expenditure or remain in this account. The following table shows the movement on the reserve during 2018/19.

### Useable Capital Receipt Reserve

	2017/18	2018/19
	£000's	£000's
Opening Balance	-	1,242
Capital receipts unapplied	1,242	8,193
Balance carried Forward	<u>1,242</u>	<u>9,435</u>

## 22.2 Unusable Reserve

Unusable revenue reserves are those established by statute in order to adjust the timing with which certain items affect the tax payers.

### Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of capital investment, the depreciation charge and impairment losses, and credited with capital grants and contributions receivable and amounts set aside by the Combined Authority as finance for the costs of acquisition, construction and enhancement.

## Capital Adjustment Account

	2017/18 £000's	2018/19 £000's
Opening Balance	13,023	13,092
	<u>13,023</u>	<u>13,092</u>
Revenue Funded from Capital		
Under statute	(141,208)	(148,831)
Depreciation	(4,675)	(4,266)
Statutory provision for the financing of Capital Investment (MRP)	3,254	3,124
Capital Grants applied	144,855	158,579
Impairment of Growing Places Fund (GPF) Loans	-	(800)
Conversion of Local Growth Fund (LGF) loan to guar	-	(300)
GPF Loans repayments	(1,557)	(9,440)
Disposal of Fixed Asset	(600)	(880)
Balance at the end of the Year	<u>13,092</u>	<u>10,278</u>

## Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Combined Authority uses the Account to manage premiums paid and discounts received on the early redemption of loans. Premiums/discounts are debited/credited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. The Financial Instruments Adjustment Account also recognises the impact of writing down soft loans using the effective interest rate method based on PWLB rates to discount soft loans.

## Financial Instruments Adjustment Account

	2017/18 £000's	2018/19 £000's
Balance at 1 April	(1,623)	(1,572)
Premiums incurred in the year	(82)	(40)
Discounts received in year	7	6
Effective Interest rate adjustment- Soft Loans	<u>126</u>	<u>129</u>
Balance at 31 March	<u>(1,572)</u>	<u>(1,477)</u>

## Pension Reserve

The Pension Reserve absorbs the timing differences arising from the different arrangements for accounting for employment benefits as per IAS19 and for funding such benefits in accordance with statutory requirements. The debit balance on the pension reserve recognises the shortfall in resources set aside to meet the benefits earned by past and current employees. The statutory arrangements will ensure that sufficient funding will be set aside to meet these benefits by the time they are due to be paid.

## Pensions Reserve

	2017/18	2018/19
	£000's	£000's
Balance at 1 April	(72,384)	(74,746)
Actuarial gains and (losses) on pension assets and Liabilities	(935)	(5,452)
Reversal of items relating to retirement benefits debited or credited to the Surplus or (Deficit) on the Provision of Services in the Comprehensive Income and Expenditure Statement	(5,801)	(8,872)
Net increase in liability on disposal/acquisition Employers pension contributions	<u>4,374</u>	<u>4,430</u>
Balance at 31 March	<u>(74,746)</u>	<u>(84,640)</u>

## Revaluation Reserve

The revaluation reserve contains gains made on the increases in the value of Property Plant and Equipment. The balance on the reserve is only available for use when assets with accumulated gains are, revalued downwards or impaired, disposed of and when gains are used in the provision of services and gains are consumed through depreciation.

## Revaluation Reserve

	2017/18	2018/19
	£000's	£000's
Balance at 1 April	12,925	13,789
Surplus on revaluation	<u>864</u>	<u>1,012</u>
Balance at 31 March	<u>13,789</u>	<u>14,801</u>

## Donated Assets Account

Donated assets are those that were received at little or no cost to the Combined Authority but are recognised on the balance sheet at fair value to reflect the true benefit of these assets. The Donated Asset account is a corresponding reserve that recognises the true value of the asset (see note 11c).

## 23. Provisions

Provisions are established to meet liabilities or losses which are likely or certain to be incurred, but the amounts or timings are uncertain. Provisions during the year are analysed as follows:-

	2017/18	2018/19
	£000's	£000's
At 1 April	189	196
Arising during year	7	1
Utilised in year	<u>-</u>	<u>-</u>
At 31 March	<u>196</u>	<u>197</u>

The Combined Authority as at 31 March 2019 has provided for liabilities relating to the now insolvent company Mutual Municipal Insurance Ltd representing the potential clawback of claims made by the former West Yorkshire Passenger Transport Executive

in previous years. There were no further provisions for organisational restructure at 31 March 2019 as specified in IAS37.

## 24. Joint Venture

At 31 March 2019 the Combined Authority had the following Joint Venture:

Yorcard Ltd

The joint venture is a trading company which was incorporated in England on the 2 March 2007. It is limited by guarantee with two subscribers, West Yorkshire Combined Authority and South Yorkshire Passenger Transport Executive with control shared equally under a contractual arrangement.

Yorcard Ltd performs transaction processing services for smartcard ticketing in West and South Yorkshire.

After considering the materiality of the Joint Venture management have agreed not to consolidate Yorcard Ltd into the Combined Authority's accounts. The performance and financial position of the Combined Authority's share of Yorcard Ltd is disclosed below in accordance with IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities :-

Yorcard	2017/18 £000's	2018/19 £000's
Turnover and other income	953	826
Expenses	(953)	(826)
Profit before Tax	-	-
Taxation	-	-
Profit after Tax	-	-
Fixed Assets		
Current Assets	522	508
Liabilities due within 1yr	(512)	(498)
Liabilities due after 1yr or more		
Net Assets	10	10

## 25. Audit Fees

The Code requires a summary of the fees payable to the Combined Authority's appointed auditors in relation to the financial year:

	2017/18 £000's	2018/19 £000's
Annual Audit Services	33	26
Other Services	-	
	33	26

## 26. Financial Commitments

### (a) Capital Commitments

	2017/18 £000's	2018/19 £000's
Contracted For but not Provided in the Accounts	174,904	106,694
Authorised but not Contracted For	<u>9,273</u>	<u>8,497</u>
	<u>184,177</u>	<u>115,191</u>

Capital Commitments Contracted For but not Provided in the Accounts reflect capital projects where contracts have been signed but work not yet commenced.

Capital Commitments Authorised but not contracted for reflects the approval of large scale capital schemes such as the Clean Bus Technology £5m which have not yet been contracted out in the year ended 31<sup>st</sup> March 2019.

### (b) Revenue Commitments - Operating Leases

The Combined Authority has a number of bus contracts that incorporate a lease under IFRIC4. The Combined Authority has a number of contracts with operators that convey the right to use specific assets in return for a series of payments to deliver services under the Combined Authority's tendered service obligations. The minimum lease payments are substantially for service provision with a small proportion for the rental of the assets. The fact that the life of the contracts are substantially shorter than the asset's economic useful life means these contracts are deemed to be operating leases.

#### Bus Operator Payments - IFRIC 4

	2017/18 £000's	2018/19 £000's
Minimum lease payments under operating leases recognised in the year :	<u>2,338</u>	<u>2,734</u>
Within 1 year	2,085	2,770
Within 2-5 years	1,422	6,835
Beyond 5 years	-	-
	<u>3,507</u>	<u>9,605</u>

The Combined Authority has a number of contracts for the operation of Mybus school services that are operated as service concession arrangements under IFRIC12. The Combined Authority awards the contract to operators to provide a service for the public regulating the level of service, price and infrastructure provided. The school buses that form the infrastructure to deliver the service are initially recognised on the balance sheet at fair value. The service element of the arrangement is expensed through the Comprehensive Income and Expenditure Statement and the minimum lease payments are scheduled below:

#### Bus Operator Payments - IFRIC 12

	2017/18 £000's	2018/19 £000's
Minimum lease payments under IFRIC 12 recognised in the year :	<u>5,230</u>	<u>4,456</u>
Within 1 year	5,197	2,975
Within 2-5 years	21,848	948
Beyond 5 years	2,377	-
	<u>29,422</u>	<u>3,923</u>

## **27 Contingent Liabilities**

The Combined Authority had a contingent liability at 1 April 2018 arising from possible claims relating land and property acquisitions under the New Generation Transport scheme that was rejected in 2016. The liability continues at 31 March 2019 but it is not possible or practical to disclose an estimate of the financial effect, amount and timing due to the ongoing uncertainty.

## **28 Going Concern**

The accounts of the Combined Authority have been prepared on a going concern basis. The budget approved by the Combined Authority in February 2019 sets out the proposed funding of the Combined Authority and formally approved the budget for the forthcoming year 2019/20. The budget ensures that the Combined Authority set the level of levy that allows services and functions to continue to operate at a level that is aligned to the policies and objectives of the organisation and ensures the reserves are maintained so as to mitigate risks to the organisation. The budget makes suitable provision to address the pension deficit. As a public authority we work with the West Yorkshire Pension Fund and Actuary to ensure contributions are realistic and sustainable. Additionally a 3 year indicative capital programme complete with capital funding/finance is agreed as part of this process.

## **29 Events after the Balance Sheet Date**

There have been no other adjustments to the financial statements for events after the balance sheet date.

## **30 New accounting standards not yet implemented**

The Code requires local authorities to disclose the likely impact of any new accounting standards which have been issued as at the Balance Sheet date but which will not apply to local authorities' accounts until subsequent financial years. The 2019/20 Code will incorporate some minor changes to accounting policies but it is not anticipated that these will have any impact on figures recognised within the authority's accounts.

## TREASURY MANAGEMENT STATEMENT 2019/20 AND REVIEW 2018/19

1. The following sets out the results of the West Yorkshire Combined Authority's borrowing and lending transactions in 2018/19 in accordance with the CIPFA Code of Practice "Treasury Management in Local Authorities" adopted by the Authority.

2. **BORROWING AND INVESTMENT**

<b>Total Loans outstanding at 1/4/2018</b>	<b>£m</b>
Fixed Term (incl LOBOs)	75.0
Activity during 2018/19:	
Loan repayments	0.0
Net movement in temporary loans	0.0
New borrowing	0.0
<b>Loan outstanding at 31/03/2019:</b>	<b>75.0</b>
Activity expected during 2019/20:	
New borrowing	0.0
Borrowing Repaid	0.0
<b>Anticipated loans outstanding at 31/3/20</b>	<b>75.0</b>
 <b>Total Investments</b>	
Investments at 1/4/2018	132.5
Net of new Investment /repaid in year	-33.5
<b>Investments placed at 31/3/2019</b>	<b>99.0</b>

- 2.1 The schedule of the loans outstanding at 31 March 2019 is set out in the notes to the accounts and is shown in the annex at the end of this appendix.
- 2.2 The Combined Authority's cash balances have been increasing in recent years due primarily to large grant payments for capital schemes being received in advance. These are therefore of a cashflow benefit but cannot be used to repay borrowing as they are not long term positions. Placing sums on deposit across a number of institutions both reduces exposure risk by ensuring there is not an over reliance on one bank and allows a higher return than leaving the money on overnight deposit. The Combined Authority's regulations on placing money on deposit were reviewed during the previous year and some changes approved regarding the duration of deposits. The quality of the counterparties with whom such deposits can be made has not been changed and remains restricted to those of a high calibre. This follows similar arrangements to those in place at Leeds City Council whose Treasury team assist in managing the Combined Authority funds.
- 2.3 At the year end the Combined Authority had placed a number of sums totalling £99m on fixed deposit with different counterparties. The approach agreed during the year was to place tranches of funding out ensuring that each quarter there was sufficient flexibility to enable a consideration of future

cashflow requirements in order to determine an optimal investment policy. Full details of the fixed deposits in place at 31 March 2019 are set out at the end of this appendix. In line with the strategy approved during the year there has been a shift to placing funds with appropriate local authorities rather than international banking institutions, in response to the unrest within the financial world.

- 2.4 The Combined Authority has continued with its accountable body responsibilities for the Leeds City Region Enterprise Partnership, previously undertaken by Leeds City Council. This has increased the funding being paid to the Combined Authority for example in relation to Growth Deal funding and has prompted the changes that have been agreed during previous year to enable these larger sums to be better managed.

### **3. COMMENT**

- 3.1 2018/19 has seen a continuation of the overall economic situation. Interest rates have remained low, although bank base rate did rise in August 2018 from 0.50% to 0.75%. Opportunities both to refinance loans and to place money on the market at competitive rates remain limited.
- 3.2 Regular advice was received about the financial market which was closely monitored on behalf of the Combined Authority by Leeds City Council and its advisors. Further development and application of the stringent treasury management policy assisted in ensuring that the Combined Authority's funds were held securely. The agreed policy is to seek to minimise the rate at which the Combined Authority borrows and refinance existing debt when it is advantageous to do so. There have been no such opportunities to do so in the last year and the biggest challenge has been to seek to make best use of increasing cash reserves. As set out above a strategy has been followed to manage these balances within the current investment criteria which are aimed at protecting balances.
- 3.3 The money market is being constantly monitored to ensure that the Combined Authority's bank account is maintained with a minimum cash balance with temporary borrowing and investments being used as appropriate. Two business reserve type accounts are being used to ensure interest from overnight funds is maximised but in the current climate the available rate is negligible and the focus has been on seeking to better forecast cashflow to be able to invest funds for longer periods.
- 3.4 The mechanism to utilise surplus Combined Authority funds by lending them to Leeds City Council has continued during 2018/19. The Chief Financial Officers of each organisation have agreed on the calculation of a rate that is deemed beneficial to both whilst not favouring one over the other. This is modelled on similar arrangements that are in place in other organisations.
- 3.5 As can be seen from the appendix the loan portfolio has not changed. Previously capital expenditure had been financed through borrowing. Due to all Combined Authority funding having been received as direct grant in recent years, the Combined Authority therefore has had no need to make further long term borrowing and has been instead in a position where borrowings would need to reduce to meet the requirements of the prudential code.

- 3.6 This situation will change as the Combined Authority considers the implication of the funding received through the local growth deal for the West Yorkshire plus Transport Fund. It is expected that as an integral part of such a Fund borrowing will be required to assist in maximising the funding available and also to assist with cashflow of the infrastructure investment. The implications of this on the Treasury Management Policy once known will be considered and progress will be reported back to this Committee.
- 3.7 It has previously been reported to this Committee that the instability in the banking sector had led to increased difficulties in managing the Combined Authority's exposure risk. Previously the Combined Authority was able to choose to invest surplus funds in a wide range of British and overseas banks with very high credit ratings and which delivered a useful interest income stream. Since the start of 2009/10 the number of institutions meeting the necessary credit ratings had fallen significantly and within the UK the takeover of high street banks by other high street banks further reduced the scope available.
- 3.8 As well as it being difficult to place funds on the market the interest rates available have been extremely poor, reflecting the very low bank base rate. The policy that continued to be followed during the year was therefore to seek to repay loans if an appropriate opportunity was identified and fund any short term funding shortfall with a short term loan. This was not possible during the year, largely due to the low interest rates attached to the current loans and also due to the prevailing PWLB rates.
- 3.9 The average borrowing rate for the Combined Authority continues to be at below 4.5%, well ahead of many local authorities arranging historic debt.
- 3.10 As has been stated all rates continue to be constantly monitored to see if any further refinancing can be undertaken, either to take advantage of opportunities to reduce the Combined Authority's exposure risk or to reprofile the debt to assist in making repayments in the coming years.
- 3.11 The prudential limits set in February are reviewed below.

#### **4 TREASURY MANAGEMENT**

- 4.1 All placement of funds during 2018/19 was undertaken by Leeds City Council in accordance with rules approved by the Combined Authority adopting the advice from the Chartered Institute of Public Finance and Accountancy (CIPFA). This ensured all investment decisions sought to ensure the safety of those funds and to limit the Combined Authority's exposure to any one organisation, with the return on the investment being a secondary consideration.
- 4.1 As stated above the Combined Authority's investments and cash position are monitored on a daily basis to ensure any available balances are promptly invested.

## **5 PRUDENTIAL BORROWING CODE**

- 5.1 The 2003 Local Government Act requires local authorities to have regard to the prudential code. Under this code Members approve a treasury management policy and review the prudential indicators for the year.
- 5.2 Members at the Combined Authority budget meeting in February 2019 took the appropriate decisions for 2019/20. Any further changes to the capital programme or changes as a result of the West Yorkshire plus Transport Fund will be considered to ensure there is no resultant requirement to amend the prudential indicators. Members can, having regard to changing circumstances, approve amendments during the year. This may become necessary as the implementation of the West Yorkshire Transport Fund progresses or as the financial and economic landscape changes.
- 5.3 It is therefore recommended that the following decisions, as taken in February 2019, are endorsed:

5.3.1 That the treasury management policy shall be:

- 5.3.1.1 That the Combined Authority adopts the CIPFA code of practice for Treasury Management in the Public Sector.
- 5.3.1.2 To operate the financing on a short term basis to minimise both investments and income to avoid taking out expensive loans and re-lending them at a lower rate of interest.
- 5.3.1.3 That there shall be no long term investments for a term of greater than one year, other than to other local authorities and then only for a period not exceeding 36 months. The limits for each of the next three years are that for investments for a period greater than 364 days, that no more than £20m will mature in each of 2019/20, 2021/21 and 2021/22;
- 5.3.1.4 To utilise the expertise of the treasury management team in Leeds City Council for future years.
- 5.3.1.5 To use the following rules for short term investments:-
- 5.3.1.5.1 the investments shall be determined by the Chief Financial Officer.
- 5.3.1.5.2 the Chief Financial Officer shall determine the amounts and periods.
- 5.3.1.5.3 the procedural document as approved for their Treasury Management Division by Leeds City Council shall be adopted in relation to the authority's short-term

investments encompassing the council's list of approved financial organisations and the maximum lending limits per organisation, as specified in that document from time to time.

5.3.1.5.4 no investment will be for a period exceeding one year, other than as set out in 5.3.1.3.

5.3.1.5.5 Investments with Leeds City Council will not exceed £15m, the interest rate for such deposits being agreed between the Chief Financial Officers of both organisations.

5.3.1.5.6 Investments with any one counterparty should not exceed £15m other than in 5.3.1.3.

5.3.1.5.7 Investments with the Combined Authority's bankers are specifically excluded from the limits set out, in recognition of the fluidity of such arrangements.

5.4.1.6 To restrict all additional borrowing to meet capital expenditure to the level of specific approvals issued by the government.

5.4.2 That as there have been insufficient changes to alter the predictions the prudential limits for the current year be reiterated as set out below:-

5.4.2.1 operational boundary for 2019/20 – £87.755 million

5.4.2.2 authorised limit for 2019/20 - £107.755 million

5.4.2.3 maturity loan structure as set out in the budget approvals

5.4.2.4 a variable rate loan limit of 40%

5.4.2.5 a fixed loan limit of 200%

<b><u>Outstanding Transactions as at 31 March 2019</u></b>						
<u>UID</u>	<u>Their Reference</u>	<u>Rate</u>	<u>Start</u>	<u>Maturity</u>	<u>Principal</u>	
<b>LCR-Growing Places Fund</b>						
<b><u>Non-Treasury Loans</u></b>						
7430	GPF102	5.90000	28/10/13	28/10/28	(1,697,914.06)	
7483	GPF210	3.02000	26/02/14	26/02/24	(806,096.80)	
7645	GPF209	2.94000	15/08/14	31/12/21	(248,048.03)	
7684	GPF204	2.63000	09/10/14	09/10/27	(4,877,690.33)	
8574	GPF308	8.50000	04/11/16	03/04/20	(1,000,000.00)	
8893	GPF315	4.78000	23/10/17	23/10/22	(800,000.00)	
9098	GPF308a	6.60000	21/09/18	03/04/20	(1,000,000.00)	
9181	GPF209a	3.50000	29/01/19	31/03/23	(346,000.00)	
					<b>Non-Treasury Loans</b>	<b>(10,775,749.22)</b>
					<b>LCR-Growing Places Fund</b>	<b>(15,449,666.31)</b>
<b>LCR-Local Growth Fund</b>						
<b><u>Non-Treasury Loans</u></b>						
8161	LGF001	0.00000	01/02/16	01/02/26	(300,000.00)	
8177	LGF002A	2.02000	16/02/16	26/02/27	(200,000.00)	
8197	LGF003	0.00000	25/02/16	29/02/28	(1,757,000.00)	
8198	LGF004	0.00000	08/03/16	28/02/27	(4,000,000.00)	
8205	LGF005	0.00000	14/03/16	28/02/27	(575,000.00)	
8267	LGF006	0.00000	05/04/16	28/02/27	(400,000.00)	
8710	LGF002B	0.00000	23/03/17	28/02/27	(109,000.00)	
8713	LGF007	0.00000	23/03/17	31/03/27	(1,221,500.00)	
8714	LGF008	0.00000	31/03/17	28/02/27	(1,100,000.00)	
					<b>Non-Treasury Loans</b>	<b>(9,662,500.00)</b>
					<b>LCR-Local Growth Fund</b>	<b>(9,662,500.00)</b>

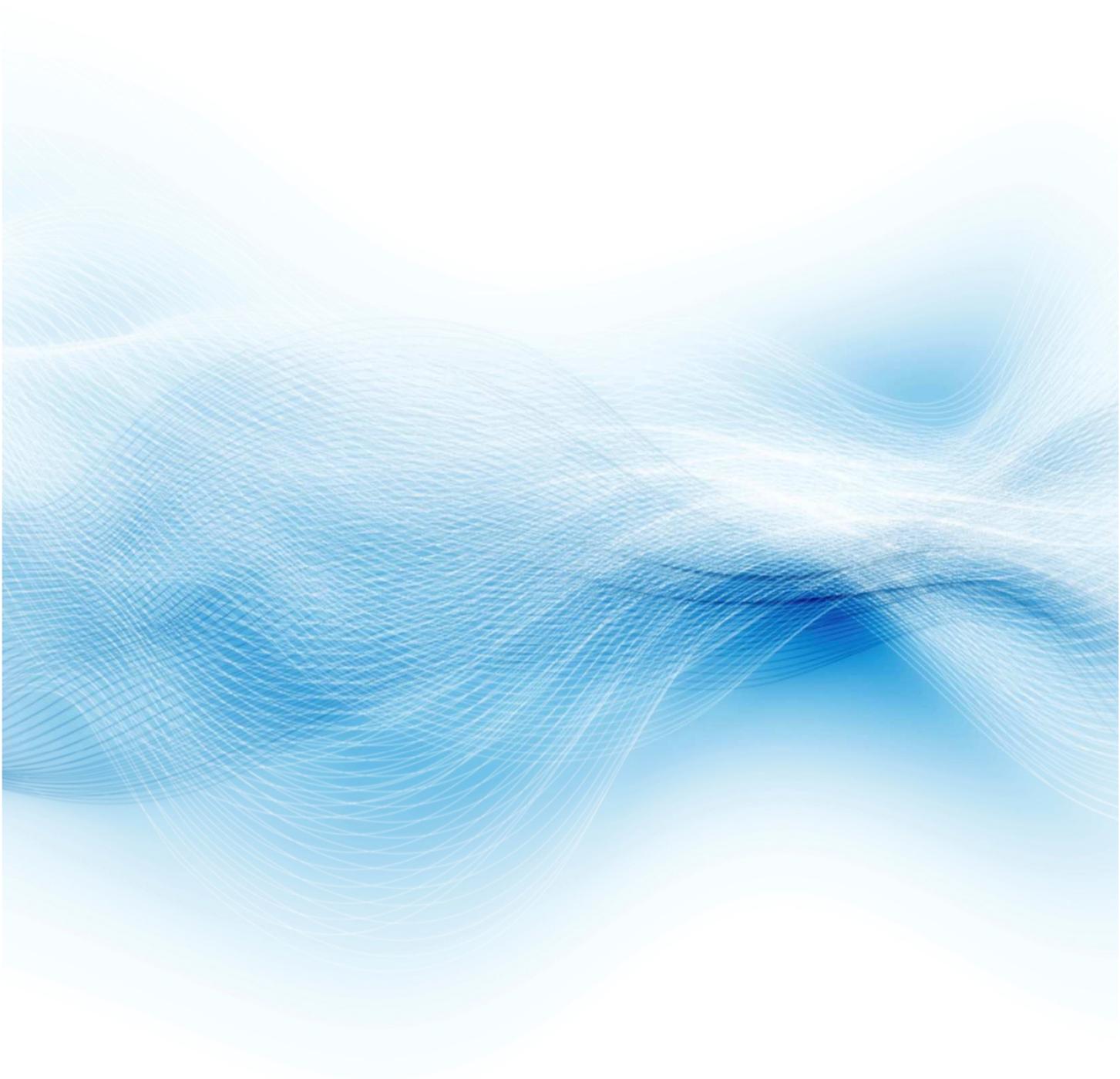
<b>Deposit - Fixed</b>							
8855	Bournemouth Borough Council			0.70000	29/09/17	20/09/19	(5,000,000.00)
9007	West Lothian Council			0.82000	23/04/18	18/04/19	(5,000,000.00)
9008	North Ayrshire Council			0.85000	26/04/18	18/04/19	(5,000,000.00)
9051	Isle of Wight Unitary Council			0.75000	25/06/18	18/06/19	(5,000,000.00)
9056	Telford & Wrekin Borough Council			0.70000	27/07/18	29/04/19	(5,000,000.00)
9097	Plymouth City Council			1.00000	26/10/18	26/07/19	(15,000,000.00)
9103	Suffolk County Council			0.90000	24/10/18	04/04/19	(10,000,000.00)
9116	Blackburn and Darwen BC			1.05000	27/11/18	26/11/19	(7,000,000.00)
9125	Thurrock Borough Council			1.05000	30/11/18	29/11/19	(10,000,000.00)
9148	Fife Council			1.05000	14/12/18	13/12/19	(7,000,000.00)
9188	Isle of Wight BC			1.00000	15/03/19	16/09/19	(10,000,000.00)
9208	Eastleigh BC			0.95000	29/03/19	28/06/19	(15,000,000.00)
<b>Deposit - Fixed</b>							<b>(99,000,000.00)</b>
<b>Deposit - Notice</b>							
8281	Leeds City Council			0.43000	11/04/16	11/04/15	(15,000,000.00)
9111	National Westminster Bank PLC	WYCA		0.30000	28/09/18	01/10/17	(28,085,844.82)
9114	Svenska HandelsBanken AB	WYCA		0.38000	28/09/18	01/10/17	(14,633,947.51)
<b>Deposit - Notice</b>							<b>(57,719,792.33)</b>
<b>Fixed Interest Loans</b>							
7532	Barclays Bank PLC	W4 ITA U4956		3.97000	31/05/05	31/05/65	5,000,000.00
7533	Barclays Bank PLC	W5 ITA U5006		3.80000	24/08/05	24/08/65	5,000,000.00
7534	Barclays Bank PLC	W7 ITA U5231		3.99000	27/10/06	27/10/66	5,000,000.00
7535	Barclays Bank PLC	W8 ITA U5374		4.30000	18/12/06	18/12/76	5,000,000.00
7536	Barclays Bank PLC	W9 ITA U5627		4.32000	02/05/07	02/05/77	5,000,000.00
<b>Lenders option/Borrowers option</b>							<b>25,000,000.00</b>
<b>PWLB - Maturity</b>							
7537	Public Works Loans Board	491184W ITA U5135		3.70000	23/01/06	15/01/56	5,000,000.00
7538	Public Works Loans Board	491481W ITA U5223		4.40000	28/04/06	15/01/52	5,000,000.00
7539	Public Works Loans Board	492865W ITA U5505		4.40000	31/01/07	15/07/54	8,000,000.00
7540	Public Works Loans Board	492866W ITA U5507		4.40000	31/01/07	02/06/53	8,000,000.00
7541	Public Works Loans Board	493266W ITA U5645		4.55000	03/05/07	10/06/52	4,000,000.00
7542	Public Works Loans Board	493268W ITA U5646		4.55000	04/05/07	27/04/55	6,000,000.00
7543	Public Works Loans Board	493269W ITA U5647		4.55000	04/05/07	25/04/56	6,000,000.00
7544	Public Works Loans Board	493270W ITA U5648		4.55000	04/05/07	18/04/57	8,000,000.00
<b>PWLB - Maturity</b>							<b>50,000,000.00</b>
<b>WYCA</b>							<b>(81,719,792.33)</b>

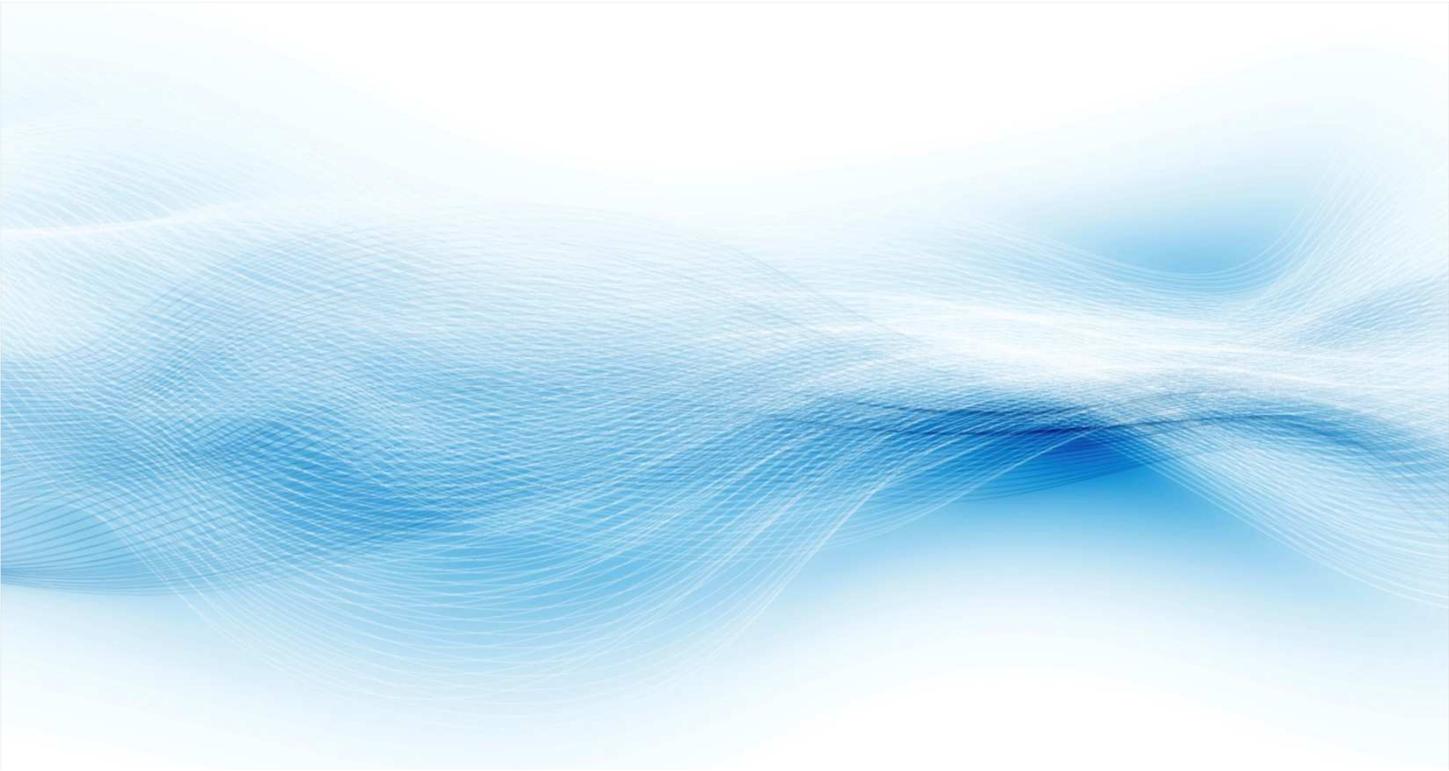
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# Audit Completion Report

West Yorkshire Combined Authority  
Year ending 31 March 2019





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Our reports are prepared in the context of the ‘Statement of responsibilities of auditors and audited bodies’ and the ‘Appointing Person Terms of Appointment’ issued by Public Sector Audit Appointments Limited.

Reports and letters prepared by appointed auditors and addressed to the Authority are prepared for the sole use of the Authority and we take no responsibility to any member or officer in their individual capacity or to any third party.

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15 July 2019

Dear Members

**Audit Completion Report – Year ended 31 March 2019**

We are pleased to present our Audit Completion Report for the year ended 31 March 2019. The purpose of this document is to summarise our audit conclusions.

The scope of our work, including identified significant audit risks and other areas of management judgement, was outlined in our Audit Strategy Memorandum which we presented on 17 January 2019. We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks and other areas of management judgement remain appropriate.

We would like to express our thanks for the assistance of your team during our audit.

If you would like to discuss any matters in more detail then please do not hesitate to contact me on 0113 394 5315.

Yours faithfully

Mark Kirkham  
Mazars LLP

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VAT number: 839 8356 73



# 1. EXECUTIVE SUMMARY

## Purpose of this report and principal conclusions

The Audit Completion Report sets out the findings from our audit of West Yorkshire Combined Authority ('the Authority') for the year ended 31 March 2019, and forms the basis for discussion at the Governance and Audit Committee meeting on 23 July 2019.

The detailed scope of our work as your appointed auditor for 2018/19 is set out in the National Audit Office's (NAO) Code of Audit Practice. Our responsibilities and powers are derived from the Local Audit and Accountability Act 2014 and, as outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards of Auditing (UK) and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

Sections 2 and 5 of this report outline the detailed findings from our work on the financial statements and our conclusion on the Authority's arrangements to achieve economy, efficiency and effectiveness in its use of resources. Section 2 also includes our conclusions on the audit risks and areas of management judgement in our Audit Strategy Memorandum, which include:

- management override of control;
- revenue recognition;
- property, plant and equipment valuation; and
- valuation of the net pension liability.

## Status of our work

As we outline on the following page, our work is substantially complete. Subject to the satisfactory completion of the outstanding work, at the time of issuing this report we have the following conclusions:

### Opinion on the financial statements

We anticipate issuing an unqualified opinion, without modification, on the financial statements. Our proposed audit opinion is included in the draft auditor's report in Appendix B.

### Value for money conclusion

We anticipate concluding that the Authority had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources. Our draft auditor's report, including proposed conclusion, is provided in Appendix B.

### Whole of Government Accounts (WGA)

We anticipate completing our work on your WGA submission, in line with the group instructions issued by the NAO, by the deadline of 13 September 2019. We anticipate reporting that the WGA submission is consistent with the audited financial statements.

### Wider powers

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 to consider any objection made to the accounts. We have received no objections in respect of the 2018/19 statement of accounts.

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# 1. EXECUTIVE SUMMARY

## Status of our audit work

We have substantially completed our work on the financial statements and Value for Money conclusion for the year ended 31 March 2019. At the time of preparing this report the following matters remain outstanding:

Audit area	Status	Description of outstanding matters
Pensions	●	Completion of our work in relation to the late amendment for the GMP equalisation and the McCloud judgement (see page 13).
Non material notes to the financial statements	●	Our work on non-material notes included in the statement of accounts remains in progress.
Final versions of the Annual Governance Statement (AGS) and amended financial statements	●	Completion of audit closure procedures and final manager and partner review.
Post balance sheet events	●	Review of post balance sheet events up to the point at which we sign our audit report.
Review and closure procedures	●	Completion of audit closure procedures and final manager and partner review.

### Status

- Likely to result in material adjustment or significant change to disclosures within the financial statements
- Potential to result in material adjustment or significant change to disclosures within the financial statements
- Not considered likely to result in material adjustment or change to disclosures within the financial statements

We will provide the Governance and Audit Committee with an update in relation to these outstanding matters in a follow-up letter, prior to signing the auditor's report.

## Our audit approach

We provided details of our intended audit approach in our Audit Strategy Memorandum in January 2019. We have not made any changes to our audit approach since we presented our Audit Strategy Memorandum.

## Materiality

We set materiality at the planning stage of the audit at £5m using a benchmark of circa 1.75% of Gross Operating Expenditure. Our final assessment of materiality, based on the final financial statements and qualitative factors is £5m, using the same benchmark. We set our trivial threshold (the level under which individual errors are not communicated to the Governance and Audit Committee, at £150k based on 3% of overall materiality).

## Misstatements and internal control recommendations

Section 3 sets out the internal control recommendations that we make, together with an update on any prior year recommendations.

Section 4 outlines the misstatements noted as part of our audit as at the time of issuing this report. If any additional misstatements are noted on completion of the outstanding work, these will be reported to the Governance and Audit Committee in a follow-up letter.

## 2. SIGNIFICANT FINDINGS

Set out below are the significant findings from our audit. These findings include:

- our audit conclusions regarding significant risks and key areas of management judgement outlined in the Audit Strategy Memorandum;
- our comments in respect of the accounting policies and disclosures that you have adopted in the financial statements. On page 8 we have concluded whether the financial statements have been prepared in accordance with the financial reporting framework and commented on any significant accounting policy changes that have been made during the year;
- any further significant matters discussed with management; and
- any significant difficulties we experienced during the audit.

### Significant risks and key areas of management judgement

As part of our planning procedures we considered the risks of material misstatement in the Authority's financial statements that required special audit consideration. Although we report identified significant risks at the planning stage of the audit in our Audit Strategy Memorandum, our risk assessment is a continuous process and we regularly consider whether new significant risks have arisen and how we intend to respond to these risks. No new risks have been identified since we issued our Audit Strategy Memorandum.

#### Significant risk

Management override of controls

#### Description of the risk

In all entities, 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. Because of the unpredictable way in which such override could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.

#### How we addressed this risk

We addressed this risk by performing audit work in the following areas:

- accounting estimates impacting on amounts included in the financial statements;
- consideration of identified significant transactions outside the normal course of business; and
- journals recorded in the general ledger and other adjustments made in preparation of the financial statements.

#### Audit conclusion

Our work has provided the assurance we sought and has not highlighted any material issues to bring to your attention. We identified no indication of management override of controls.

## 2. SIGNIFICANT FINDINGS (CONTINUED)

Significant risk	Description of the risk
Revenue recognition – fees and charges	<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 2018/19. We have identified income from fees and charges as the key area of audit risk. 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><b>How we addressed this risk</b></p> <p>We evaluated the design and implementation of controls to mitigate the risk of income being recognised in the wrong period. In addition we undertook a range of substantive procedures including:</p> <ul style="list-style-type: none"><li>• testing receipts in March, April and May to ensure they have been recognised in the right year;</li><li>• testing material year end receivables;</li><li>• testing adjustment journals; and</li><li>• obtaining direct confirmation of year-end bank balances and testing the reconciliations to the ledger.</li></ul>
	<p><b>Audit conclusion</b></p> <p>We identified no matters to report in relation to revenue recognition.</p>

Significant risk	Description of the risk
Property, plant and equipment (PPE) valuation	<p>The financial statements contain material entries on the Balance Sheet as well as material disclosure notes in relation to PPE. The CIPFA Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate fair value at that date.</p> <p>Although the Authority employs an external valuation expert to provide information on valuations, 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.</p>
	<p><b>How we addressed this risk</b></p> <p>We evaluated the design and implementation of controls to mitigate the risk. We reviewed the scope and terms of the engagement with the Authority's valuer and how management used the valuers report to value land and buildings in the financial statements including testing the underlying data and assumptions. We also:</p> <ul style="list-style-type: none"><li>• assessed the competence, skills and experience of the Authority's valuer; and</li><li>• compared the valuation output with market intelligence provided by Gerald Eve, our expert and consulting valuers engaged by the National Audit Office, to obtain assurance that the valuations are in line with market expectations.</li></ul>
	<p><b>Audit conclusion</b></p> <p>We identified no matters to report in relation to property, plan and equipment valuation.</p>

## 2. SIGNIFICANT FINDINGS (CONTINUED)

Significant risk	Description of the risk
Defined benefit liability valuation	<p>The net pension liability represents a material element of the Authority's balance sheet. The Authority is an admitted body of the West Yorkshire Pension Fund, which had its last triennial valuation completed as at 31 March 2016.</p> <p>The valuation of the Local Government Pension Scheme relies on a number of assumptions, most notably around the actuarial assumptions, and actuarial methodology which results in the Authority's overall valuation.</p> <p>There are financial assumptions and demographic assumptions used in the calculation of the Authority's valuation, such as the discount rate, inflation rates and mortality rates. The assumptions should also reflect the profile of the Authority's employees, and should be based on appropriate data. The basis of the assumptions is derived on a consistent basis year to year, or updated to reflect any changes.</p> <p>There is a risk that the assumptions and methodology used in valuing the Authority's pension obligation are not reasonable or appropriate to the Authority's circumstances. This could have a material impact to the net pension liability in 2018/19.</p>

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### How we addressed this risk

We reviewed the controls that the Authority has in place over the information sent to the Scheme Actuary, including the Authority's process and controls with respect to the assumptions used in the valuation. We also:

- evaluated the competency, objectivity and independence of the scheme Actuary, AON Hewitt;
- liaised with the auditors of the West Yorkshire Pension Fund to gain assurance that the controls in place at the Pension Fund are operating effectively. This included the processes and controls in place to ensure data provided to the Actuary by the Pension Fund for the purposes of the IAS19 valuation is complete and accurate;
- reviewed the appropriateness of the Pension Asset and Liability valuation methodologies applied by the Pension Fund Actuary, and the key assumptions included within the valuation. This included comparing them to expected ranges, utilising information provided by PWC, consulting actuary engaged by the National Audit Office; and
- agreed the data in the IAS 19 valuation report provided by the Fund Actuary for accounting purposes to the pension accounting entries and disclosures in the financial statements.

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### Audit conclusion

Subject to completion of outstanding work and the amendment detailed on page 13 in relation to GMP equalisation and the McCloud judgement, our work has provided the assurance we sought in each of these areas and has not highlighted any indication of material estimation error in respect of the defined benefit liability valuation.

---

## 2. SIGNIFICANT FINDINGS (CONTINUED)

### Qualitative aspects of the Authority's accounting practices

We have reviewed the Authority's accounting policies and disclosures and concluded they comply with the requirements of the Code of Practice on Local Authority Accounting (the Code), appropriately tailored to the Authority's circumstances.

To ensure the accounts were fully Code compliant, an amendment was required to the draft statements in respect of the adoption of the new accounting standard IFRS 15 Revenue from Contracts with Customers in 2018/19.. This is set out in more detail on Page 14.

### Significant matters discussed with management

There were no significant matters discussed with management that we need to specifically report to the Governance and Audit Committee.

### Significant difficulties during the audit

During the course of the audit we did not encounter any significant difficulties and we have had the full co-operation of management.

Draft accounts were received from the Authority on 31 May 2019, in line with the statutory deadline, and the accounts were of a good quality. We will debrief with the Finance Team to share views on the final accounts audit. We would like to thank the Finance Team for the quality of their supporting working papers and for being available throughout the audit visit to answer our queries in a prompt and timely manner. This co-operation has allowed the audit to progress smoothly and to complete within the allocated timeframe.

### Wider responsibilities

Our powers and responsibilities under the 2014 Act are broad and include the ability to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to law; and
- issue an advisory notice under schedule 8 of the 2014 Act.

We have not exercised any of these powers as part of our 2018/19 audit.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account.

### 3. INTERNAL CONTROL RECOMMENDATIONS

The purpose of our audit is to express an opinion on the financial statements. As part of our audit we have considered the internal controls in place relevant to the preparation of the financial statements. We do this in order to design audit procedures to allow us to express an opinion on the financial statement and not for the purpose of expressing an opinion on the effectiveness of internal control, nor to identify any significant deficiencies in their design or operation.

The matters reported are limited to those deficiencies and other control recommendations that we have identified during our normal audit procedures and that we consider to be of sufficient importance to merit being reported. If we had performed more extensive procedures on internal control we might have identified more deficiencies to be reported or concluded that some of the reported deficiencies need not in fact have been reported. Our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

Our findings and recommendations are set out below. – a number related to IT and are similar in nature to those raised in the prior year. Management’s response not only provides a response for the current year recommendation but also provides an update on progress on related prior year recommendation as appropriate.

We have assigned priority rankings to each of them to reflect the importance that we consider each poses to your organisation and, hence, our recommendation in terms of the urgency of required action. In summary, the matters arising fall into the following categories:

Priority ranking	Description	Number of issues
<b>1 (high)</b>	In our view, there is potential for financial loss, damage to reputation or loss of information. This may have implications for the achievement of business strategic objectives. The recommendation should be taken into consideration by management immediately.	none
<b>2 (medium)</b>	In our view, there is a need to strengthen internal control or enhance business efficiency. The recommendations should be actioned in the near future.	3
<b>3 (low)</b>	In our view, internal control should be strengthened in these additional areas when practicable.	1

### 3. INTERNAL CONTROL RECOMMENDATIONS (CONTINUED)

#### Deficiencies in internal control – Level 2

##### Description of deficiency

Password parameters set within the Authority's systems (Dream, Network OS, Payrite, Haven) do not align with the Authority's password policy.

Further, the Authority's password policy does not comply with best practice in the following instances:

- User account blocked after failed attempts,
- Initial password is randomly generated (not always the same trivial password)

##### Potential effects

Passwords are not sufficiently complex reducing the level of access security of critical business systems.

##### Recommendation

The Authority should ensure that the password parameters for the critical business systems highlighted above reflect the Authority's password policy.

The Authority should review its password policy to ensure it is in line with best practice and addresses the deficiencies highlighted above

##### Management response

The password policy changed in June 2019 via the introduction of a revised ICT Security Policy. The password requirements and complexity now follow current National Cyber Security Council guidelines, in summary the Combined Authority's approach is:

- Use two factor or multi factor authentication for all important accounts.
- User single sign on systems.
- Security will rely on effective technical defences rather than depending on unachievable employee behaviour.
- Regular password changes will not be forced unless data or a system is compromised.
- Machine-generated passwords will be used with password management software to help employees.
- Password complexity requirements will not be used.

The new ICT Security Policy also places new obligation on business system owners to manage passwords appropriately when their application is not part of Active Directory.

##### Description of deficiency

There is no formal backup policy in place at the Authority.

##### Potential effects

Staff are not aware of the process to follow and the Authority may not comply with the legal and statutory requirements for retention of financial records in the case of a serious incident.

##### Recommendation

The Authority should develop and implement a formal backup policy.

##### Management response

Comprehensive back up arrangements are in place, including off site storage. It is recognised that capturing the current processes in one central document which ensures full clarity of the arrangements would be beneficial and this will be addressed in the Corporate Technology Programme currently being implemented.

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### 3. INTERNAL CONTROL RECOMMENDATIONS (CONTINUED)

#### Deficiencies in internal control – Level 2

##### Description of deficiency

Whilst, per the Code of Conduct, the onus is on Members of the Combined Authority to ensure that their declarations of interest remain up to date, there is an agreed process whereby the Governance Officer writes to Members following the annual meeting to remind them to review their declarations. This did not happen in 2018/19.

Further, the Authority's pro-forma declaration forms does not request (and thus capture) interests of close family members as required by IAS 24.

Linked to these deficiencies and as detailed on page 14, audit testing identified 6 related parties that had not been disclosed in the related party transactions note to the financial statements. This comprised income of £2,213k and expenditure of £9,858k.

##### Potential effects

The Authority is not aware of transactions with related parties and the related parties note in the financial statements is incomplete.

##### Recommendation

The Authority should:

- a) strengthen arrangements to ensure Member's declarations of interest remain up to date;
- b) update the pro-forma declarations of interest form to include interests of close family members; and
- c) review all completed declarations of interest forms during the accounts close down process and interrogate the ledger to identify all related parties disclosed by members and senior management.

##### Management response

- a) This recommendation is accepted. These arrangements are underway following the recent changes to member appointments approved at the Annual General Meeting in June 2019.
- b) The requirements of IAS24 go further than the statutory regime included in our Members Code of Conduct in relation to the disclosure of pecuniary interests.  
The Combined Authority recognises that this does not fully meet all aspects required by IAS24 and will explore how it can effectively enhance the disclosure whilst maintaining a fair balance in respect of the scope of the obligations placed on its members. It is proposed that action is taken, including liaising with our partner councils to understand how they address this requirement and that proposals are brought forward to the Governance and Audit committee for consideration at its meeting on 31 October 2019 in the first instance.
- c) This recommendation is accepted and arrangements will be strengthened for the 2019/20 closedown process.

### 3. INTERNAL CONTROL RECOMMENDATIONS (CONTINUED)

#### Other recommendations on internal control – Level 3

##### Description of deficiency

There are opportunities to improve the Authority's ICT Change Management policies and procedures to ensure that they provide more comprehensive guidance to users. For example, the change management policy does not:

- state when the policy was created, or when it is next due to be updated
- state that low-risk changes by service providers can be implemented without required testing or approvals
- include details of unitary/module tests, non-regression tests, user acceptance tests
- specified that there should be segregation of duties between IT Development and Operations.

Further, we found IT Developers have access to the Dream production system with admin privileges.

##### Potential effects

The change management policy may not be appropriately up to date and users may not follow best practice in relation to change management.

Further, Developers may make changes to the live system without the relevant approvals.

##### Recommendation

- a) The Change Management procedure should be reviewed and updated to ensure that it addresses the deficiencies highlighted above.
- b) The Authority should remove developers' privileged access to the production environment

##### Management response

Change management policies and procedure are in place and robustly monitored. They are continually enhanced and updated to reflect best practice and the points raised will be addressed in future updates being undertaken as part of the Corporate Technology Programme.

## 4. SUMMARY OF MISSTATEMENTS

We set out below the misstatements identified for adjustment during the course of the audit, above the level of the trivial threshold of £150k.

The first section outlines the misstatements that were identified during the course of our audit which management has assessed as not being material, either individually or in aggregate, to the financial statements and does not currently plan to adjust.

The second section outlines the misstatements that have been adjusted by management during the course of the audit.

### Unadjusted misstatements 2018/19

We are pleased to report that there were no unadjusted audit differences.

### Adjusted misstatements 2018/19

	Comprehensive Income and Expenditure Statement		Balance Sheet	
	Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1 Dr: Net cost of services – corporate services Cr: Pensions reserve	2,645			2,645
To reflect the additional pension liabilities arising from recent court decisions in relation to Guaranteed Minimum Pensions (GMP) equalisation and the McCloud judgement. Actuarial estimate of £2.645m in respect of the entity. No net impact on the Authority's General Fund, with pension costs under IAS 19 being reversed out in the Movement in Reserves Statement and replaced by actual employer pension contributions				
2 Dr: Creditors – Bodies External to Government Cr: Creditors – Other Local Authorities			17,340	17,340
To ensure compliance with the Code, £17.34m of creditors from 'Bodies External to Government' required reclassification to 'Other Local Authorities'.				
3 Dr: Debtors – Other Local Authorities Cr: Debtors – Bodies External to Government Cr: Debtors – Central Government Bodies			2,976	941 2,035
To ensure compliance with the Code, £2.976m of debtors from 'Bodies External to Government' and 'Central Government Bodies' required reclassification to 'Other Local Authorities'.				
4 Dr: REFCUS Expenditure Cr: Long-term Debtor Loans	300			300
A £300k loan with Calderdale Council, originally included in the long-term debtor loans population, had actually been written off by the Authority but not actioned in the ledger during the year.				
5 Dr: Short-term Debtor Loans Cr: Long-term Debtor Loans			7,951	7,951
Audit testing identified two loans which had been accounted for as long-term debtor loans but were actually short-term in nature due to their maturity dates being in 2019/20.				

## 4. SUMMARY OF MISSTATEMENTS

### Adjusted misstatements 2018/19 (continued)

#### Disclosure amendments

During the course of the audit we identified a number of disclosure errors which are detailed below. All have been adjusted for during the course of the audit:

- **Comprehensive Income and Expenditure Statement** - The authority had 'restated' the 2017/18 CIES for the introduction of IFRS 15. This was not compliant with the Code which requires retrospective restatement with any required restatement treated as an opening balance adjustment as at 1<sup>st</sup> April 2018. This resulted in an initial restatement of £31,804k to gross income and expenditure within the prior year Transport Services line of the CIES (with nil net impact on the net cost of services). The Authority has amended the CIES and, in line with Code requirements, included a note to the financial statements demonstrating the effect of the application of the standard on the prior year.
- **Note 4 Expenditure and Funding Analysis** – to ensure compliance with the Code, amendments were made to separately disclose a £601k loss on the disposal of an asset (originally included within the 'Financing and Investment Income and Expenditure' line of Note 4(a)) and, due to the introduction of IFRS 15, to remove £33,504k of prepaid tickets income and expenditure from the 'Other Service Income' and 'Other Service Expenditure' of Note 4(c) (with nil net impact on the surplus / deficit).
- **Note 10D Senior Employees' Remuneration** – the disclosure for the Director for Policy, Strategy and Communication role has been split to reflect the two different individuals who reprised the role in year. The prior year comparator also required amendment.
- **Note 12 Related Party Transactions** - Audit testing identified 6 related parties that had not been disclosed in the note to the financial statements. This comprised income of £2,213k and expenditure of £9,858k which has now been appropriately disclosed in the note. In addition, the total amount and analysis of the 'amounts received by the Combined Authority' for 'LCR LEP Funding' has been updated, from £550k to £621k, to include amounts from Harrogate and York.
- **Note 26 Financial Commitments** – a number of amendments were required as follows:
  - £880k of contracts signed before year end required reclassification from 'Authorised but not Contracted For' to 'Contracted For but not Provided in the Accounts'. Audit testing of Capital Commitments 'Authorised but not Contracted For' identified one scheme, valued at £245k, where contracts had been agreed before year end. As a consequence, the Authority then reviewed all other schemes in this population and determined that the contract for one more capital project had also been signed before year end. The value of this scheme was £635k meaning £880k required reclassifying from 'Authorised but not Contracted For' to 'Contracted For but not Provided in the Accounts'.
  - £195k of schemes completed in the year required removal from 'Contracted For but not Provided in the Accounts'. Audit testing of Capital Commitments 'Contracted For but not Provided in the Accounts' identified the inclusion of £195k in relation to Fitzwilliam Park and Ride, a scheme which had been completed in 2018/19 and was thus no longer a commitment. The Authority reviewed all the schemes in this population and did not identify any further instances of completed schemes being included.
  - £259k of capital commitments omitted in error from 'Contracted For but not Provided in the Accounts' has now been added – this relates to the Stourton Park and Ride scheme (for which a contract has been signed) and its omission was identified by the Authority's review of capital projects triggered by the above highlighted audit findings.

NB in each of the above areas, we reviewed and tested the further work of the Authority and were content with the methodology and the findings.

In addition to the above, we identified a number of minor presentational issues during our audit and these have all been amended by the Authority.

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## 5. VALUE FOR MONEY CONCLUSION

### Our audit approach

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 in order to form our conclusion, and sets out the criterion and sub-criteria that we are required to consider.

The overall criterion is that, 'in all significant respects, the 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 set out by the NAO:

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

Commentary against each of the sub-criteria, and an indication of whether arrangements are in place, is provided below.

Sub-criteria	Commentary	Arrangements in place?
Informed decision making	<p>The Combined Authority has a clear governance structure which is described on its website and includes the expected features of an effective governance framework in local government. During the year the Combined Authority has continued its 'One Organisation' Programme designed to put in place the right structures, processes and people to deliver agreed objectives and priorities.</p> <p>The Corporate Plan sets out the Authority's priorities and is closely aligned to the overarching aims of the Strategic Economic Plan (SEP). Clear and measurable targets and outcomes for key priorities have been identified and included in the Corporate Plan with key performance targets being measured regularly. The Corporate Plan is supported by revenue and capital budgets.</p> <p>The Medium Term Financial Strategy which is reviewed and refreshed annually reflects strategic objectives and allocates resources to priority areas. In addition, regular financial reporting takes place through the Senior Management Team and Leadership Team, with regular reporting to the Combined Authority.</p> <p>For over a year, Leeds City region Enterprise Partnership (LEP) panels (with their public and private sector representation) have been integrated within the Combined Authority's decision-making structure as advisory committees, improving transparency and accountability.</p> <p>There is a Corporate Risk Management Strategy, endorsed by the Governance and Audit Committee, which sets out the way risks are identified, recorded and monitored. Management have agreed to implement Internal Audit recommendations to strengthen risk management arrangements. The Authority's project management assurance framework is in line with national best practice and ensures there is robust accountability and governance with regard to the management and delivery of projects.</p> <p>The system of internal control is subject to Internal Audit and for 2018/19, the Combined Authority's internal auditors, provided an overall opinion that controls and governance are operating adequately.</p> <p>A Governance and Audit Committee is in place to oversee the governance framework including the work of internal audit and approval of the Authority's financial statements. In accordance with changes in legislation and to strengthen arrangements an independent member was appointed to the Committee in June 2018 and who chaired the meeting during the last municipal year.</p> <p>The Combined Authority ensures its Corporate Governance Code and Framework reflects changes made to arrangements in the year.</p>	Yes

## 5. VALUE FOR MONEY CONCLUSION

Sub-criteria	Commentary	Arrangements in place?
Sustainable resource deployment	<p>The Combined Authority has made good progress in addressing the ongoing financial challenges and has a proven track record of strong budget management and delivering planned budget reductions.</p> <p>The Authority delivered financial outturn for 2018/19 £3.0 million better than originally planned. The much improved year end position is mainly attributable to savings in the subsidised services ahead of target, reduced concessionary fares costs and a combination of early redemption fees and further loan interest accrued on Growing Places loans. Additionally the higher than expected cash balances, reflecting receipt in advance of a number of external funds, has generated additional interest over budget.</p> <p>A balanced budget has been set for 2019/20 with the use of £1.2m of reserves consistent with the three year Medium Term Financial Strategy covering the years 2018/19 to 2020/21.</p> <p>The Authority has also recognised the significant financial challenge facing the partner councils and has agreed to reductions in the transport levy.</p> <p>The capital programme reflects priorities set out in the Corporate Plan flowing from the SEP.</p>	Yes
Working with partners and other third parties	<p>The Authority plays an important and active role in providing the vehicle for closer partnership working between the local authorities of West Yorkshire and York and the LEP in order to ensure improved economic outcomes for local people. It focuses on the areas that make the most sense to deliver at the city region level.</p> <p>The Authority has clearly defined its ambitions to work with its partners across the region to effect economic growth in the Leeds City Region and these ambitions are set out in the SEP. The SEP is 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 Local Industrial Strategy for example. The SEP provides a framework for engagement with others within the City Region and beyond across private, public and third sectors to deliver good growth.</p> <p>The Authority is an active participant in sub-regional networks and works with 'Transport for the North' on transport related matters. It responds to and leads on transport consultations for the region for example with stakeholders through the District Consultation Sub-Committees and Operator Groups. Consultation events have taken place during the year on the SEP, the Single Transport Plan, major schemes and the bus area network reviews which have successfully sought to contain costs but retain accessibility for users. In addition the Authority is building in youth engagement as it develops its bus and transport strategy.</p> <p>Up to date procurement arrangements are in place to secure cost effective purchasing.</p>	Yes

## 5. VALUE FOR MONEY CONCLUSION (CONTINUED)

### Significant audit risks

The NAO's guidance requires us to carry out work to identify whether or not a risk to our value for money conclusion exists. Risk, in the context of our 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. In our Audit Strategy Memorandum, we reported that we had identified one significant audit risk. The work we carried out in relation to the significant risk is outlined below.

Risk	Work undertaken	Conclusion
<p><b>Financial sustainability</b></p> <p>The Authority's medium term financial strategy (MTFS) includes a reduction in the transport levy of £1m in each of the three years to 2020/21. A reduction of £1m equates to a circa 2% saving requirement in discretionary expenditure. The Authority is in the process of updating its MTFS to 2021/22.</p> <p>Whilst the mid year financial position for 2018/19 indicated that the Authority is managing expenditure within the approved annual budget, delivering a balanced budget is likely to require the use of £1.4m of reserves. Whilst this is consistent with the MTFS, this use of reserves to support service delivery is indicative of the financial pressures faced by the Authority.</p> <p>The continuing challenges the Authority faces are not new and are not unique. However, the challenges do present a significant audit risk in respect of considering the arrangements that the Authority has in place to deliver financial sustainability over the medium term.</p>	<p>Building on our work in previous years, we reviewed the arrangements the Authority has in place for ensuring financial resilience. Specifically, our work included reviewing:</p> <ul style="list-style-type: none"> <li>the Authority's MTFS to ensure it takes into consideration factors such as the latest income projections, funding reductions from the transport levy, salary and general inflation, restructuring costs and sensitivity analysis given the degree of variability in the above factors; and</li> <li>the arrangements in place to monitor progress in delivering a balanced budget for 2019/20 and the related savings plans.</li> </ul>	<p>The Authority has in place a MTFS for 2018/19 to 2020/21 to provide a longer term view of the financial challenges it faces. This is based on appropriate income, funding, pay and non-pay assumptions and recognises the risks associated with these assumptions.</p> <p>A balanced budget has been set for 2019/20 with the use of £1.2m of reserves consistent with the three year MTFS.</p> <p>The MTFS and balanced budget for 2019/20 have been subject to appropriate scrutiny and challenge via established governance and reporting arrangements.</p> <p>The Authority's Corporate Plan sets out priorities and is closely aligned to the overarching aims of the Strategic Economic Plan. Clear and measurable targets and outcomes for key priorities have been identified and included in the Corporate Plan with key performance targets being measured regularly. The Corporate Plan is supported by revenue and capital budgets.</p> <p>It is noted that the Authority has a good track record of delivering financial plans and the required savings. For 2016/17, 2017/18 and 2018/19 the Authority secured the planned savings plus additional savings of £1.4m, £1.6m and £3m respectively.</p> <p>There are no matters which give rise to VFM reporting issues for 2018/19.</p>

# APPENDIX A

## DRAFT MANAGEMENT REPRESENTATION LETTER

Mr M Kirkham  
Mazars LLP  
Salvus House  
Aykley Heads  
Durham  
DH1 5TS

XX July 2019

Dear Mark

### **West Yorkshire Combined Authority - audit for year ended 31 March 2019**

This representation letter is provided in connection with your audit of the financial statements of West Yorkshire Combined Authority for the year ended 31 March 2019 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the Code) and applicable law.

I confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy ourselves that I can properly make each of the following representations to you.

#### **My responsibility for the financial statements and accounting information**

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the financial statements in accordance with the Code and applicable law.

#### **My responsibility to provide and disclose relevant information**

I have provided you with:

- access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other material;
- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to individuals within West Yorkshire Combined Authority you determined it was necessary to contact in order to obtain audit evidence.

I confirm as Chief Finance Officer that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information.

As far as I am aware there is no relevant audit information of which you, as auditors, are unaware.

#### **Accounting records**

I confirm that all transactions that have a material effect on the financial statements have been recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all Combined Authority and committee meetings, have been made available to you.

#### **Accounting policies**

I confirm that I have reviewed the accounting policies applied during the year in accordance with Code and International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on West Yorkshire Combined Authority's financial position, financial performance and cash flows.

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## DRAFT MANAGEMENT REPRESENTATION LETTER

### Accounting estimates, including those measured at fair value

I confirm that any significant assumptions used by West Yorkshire Combined Authority in making accounting estimates, including those measured at current or fair value, are reasonable.

### Contingencies

There are no material contingent losses including pending or potential litigation that should be accrued where:

- information presently available indicates that it is probable that an asset has been impaired or a liability had been incurred at the balance sheet date; and
- the amount of the loss can be reasonably estimated.

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date.

There are no contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against West Yorkshire Combined Authority have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the Code and applicable law.

### Laws and regulations

I confirm that I have disclosed to you all those events of which I am aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom.

### Fraud and error

I acknowledge my responsibility as Chief Finance Officer for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

I have disclosed to you:

- all the results of my assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting West Yorkshire Combined Authority involving:
  - management and those charged with governance;
  - employees who have significant roles in internal control; and
  - others where fraud could have a material effect on the financial statements.

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting West Yorkshire Combined Authority's financial statements communicated by employees, former employees, analysts, regulators or others.

### Related party transactions

I confirm that all related party relationships, transactions and balances, have been appropriately accounted for and disclosed in accordance with the requirements of the Code and applicable law.

I have disclosed to you the identity of West Yorkshire Combined Authority's related parties and all related party relationships and transactions of which I am aware.

### Future commitments

I am not aware of any plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

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## DRAFT MANAGEMENT REPRESENTATION LETTER

### Subsequent events

I confirm all events subsequent to the date of the financial statements and for which the Code and applicable law, require adjustment or disclosure have been adjusted or disclosed.

Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

### Going concern

To the best of my knowledge there is nothing to indicate that West Yorkshire Combined Authority will not continue as a going concern in the foreseeable future. The period to which I have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts.

Yours sincerely

Director, Corporate Services (s73 Officer)

Date.....

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# APPENDIX B

## DRAFT AUDITOR'S REPORT

### Independent auditor's report to the members of West Yorkshire Combined Authority

#### Report on the financial statements

##### Opinion

We have audited the financial statements of West Yorkshire Combined Authority ('the Authority' for the year ended 31 March 2019, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

In our opinion, the financial statements:

- give a true and fair view of the financial position of West Yorkshire Combined Authority as at 31<sup>st</sup> March 2019 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

##### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applicable to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Finance Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

##### Other information

The Chief Finance Officer is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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## DRAFT AUDITOR'S REPORT

### Responsibilities of the Chief Finance Officer for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, and for being satisfied that they give a true and fair view. The Chief Finance Officer is also responsible for such internal control as the Chief Finance Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Finance Officer is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and prepare the financial statements on a going concern basis, unless the Authority is informed of the intention for dissolution without transfer of services or function to another entity. The Chief Finance Officer is responsible for assessing each year whether or not it is appropriate for the Authority to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### Matters on which we are required to report by exception under the Code of Audit Practice

We are required by the Code of Audit Practice to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

### Conclusion on West Yorkshire Combined Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources

#### Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that, in all significant respects, West Yorkshire Combined Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

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## DRAFT AUDITOR'S REPORT

### **Basis for conclusion**

We have undertaken our review in accordance with the Code of Audit Practice issued by the Comptroller and Auditor General, having regard to the guidance on the specified criterion issued in November 2017, as to whether 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. The Comptroller and Auditor General determined this criterion as that necessary for us to consider in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

### **Responsibilities of the Authority**

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

### **Auditor's responsibilities for the review of arrangements for securing economy, efficiency and effectiveness in the use of resources**

We are required under section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice requires us to report to you our conclusion relating to proper arrangements. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

### **Use of the audit report**

This report is made solely to the members of West Yorkshire Combined Authority, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members of the Authority those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

### **Certificate**

We certify that we have completed the audit of West Yorkshire Combined Authority in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Mark Kirkham  
For and on behalf of Mazars LLP  
Salvus House  
Aykley Heads  
Durham  
DH1 5TS

XX July 2019

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# APPENDIX C

## INDEPENDENCE AND FEES

### Auditor independence

As part of our ongoing risk assessment we monitor our relationships with you to identify any new actual or perceived threats to our independence within the regulatory or professional requirements governing us as your auditors.

We can confirm that no new threats to independence have been identified since issuing the Audit Strategy Memorandum and therefore we remain independent.

### Audit & non-audit fees

We reported our expected audit fees in our Audit Strategy Memorandum. Below we report the audit and non-audit fees at this, our Audit Completion phase. We confirm that we have completed no non-audit work at West Yorkshire Combined Authority.

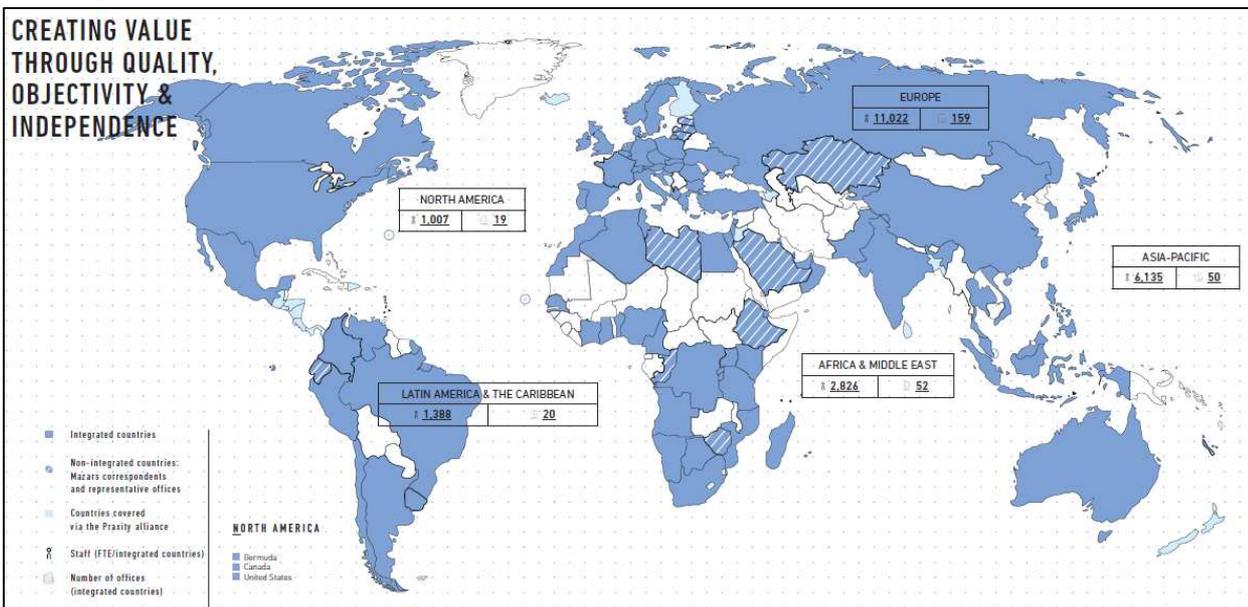
Audit fees	2018/19 (actual)	2018/19 (planning)
Code audit work	£25,964	£25,964
<b>Total audit fees</b>	<b>£25,964</b>	<b>£25,964</b>

# MAZARS AT A GLANCE

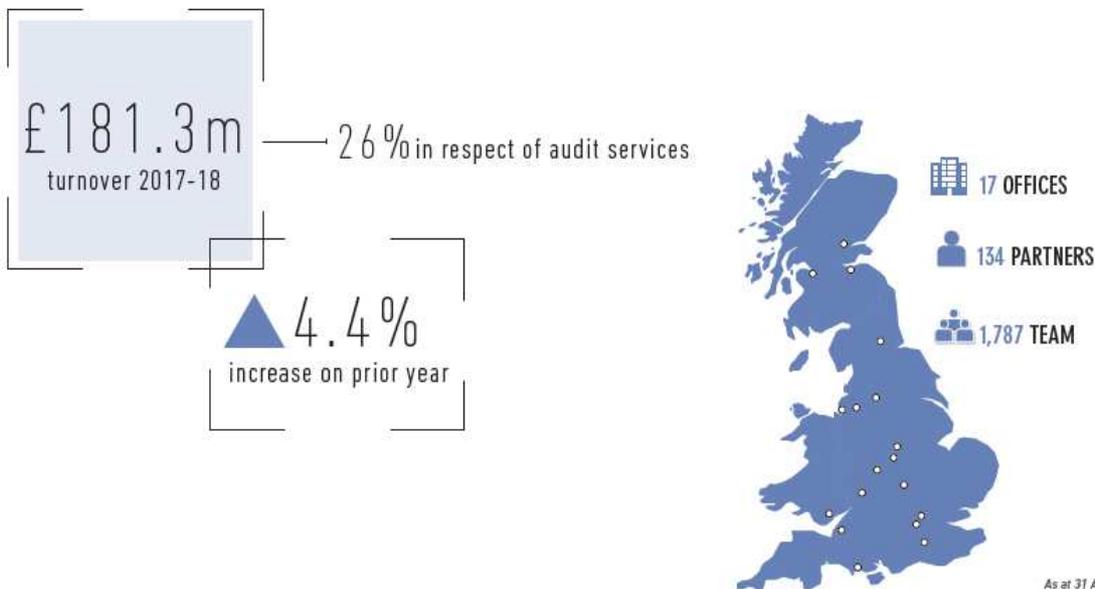
## Mazars LLP

- Fee income €1.6 billion
- Over 86 countries and territories
- Over 300 locations
- Over 20,000 professionals
- International and integrated partnership with global methodologies, strategy and global brand

## Mazars Internationally



## Mazars in the UK



## CONTACT

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### **Mark Dalton**

Senior Manager

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**Report to:** Governance and Audit Committee

**Date:** 23 July 2019

**Subject:** **Compliance and Monitoring**

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**Director(s):** Angela Taylor, Director, Corporate Services

**Author(s):** Jon Sheard / Louise Porter

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**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**

- 2.3 There have been no significant changes to internal controls in the period and monthly reconciliations are up to date.
- 2.4 The Regulatory and Compliance Board at officer level continues to meet and will provide information as required to this Committee and the Combined Authority. To date its meetings have considered assurances provided by the work undertaken by internal audit, health and safety, information governance, risks and controls and compliance including financial, HR and other policies, statutory returns and transparency arrangements. Actions are being identified to ensure compliance is adequately documented and evidenced and further information will be provided to this Committee as the work progresses.

**Treasury Management**

- 2.5 The regular governance meetings continue to be held with Leeds City Council to consider and review the transactions relating to investments and treasury management. At the most recent meeting in May 2019 no areas of concern

were raised though the high level of cash balances were considered and the challenges this presents with regard to placing funds with approved counterparties.

- 2.6 Officers from Leeds City Council treasury team will attend the October meeting of this Committee to provide an overview of current arrangements and recent changes to the prudential requirements.

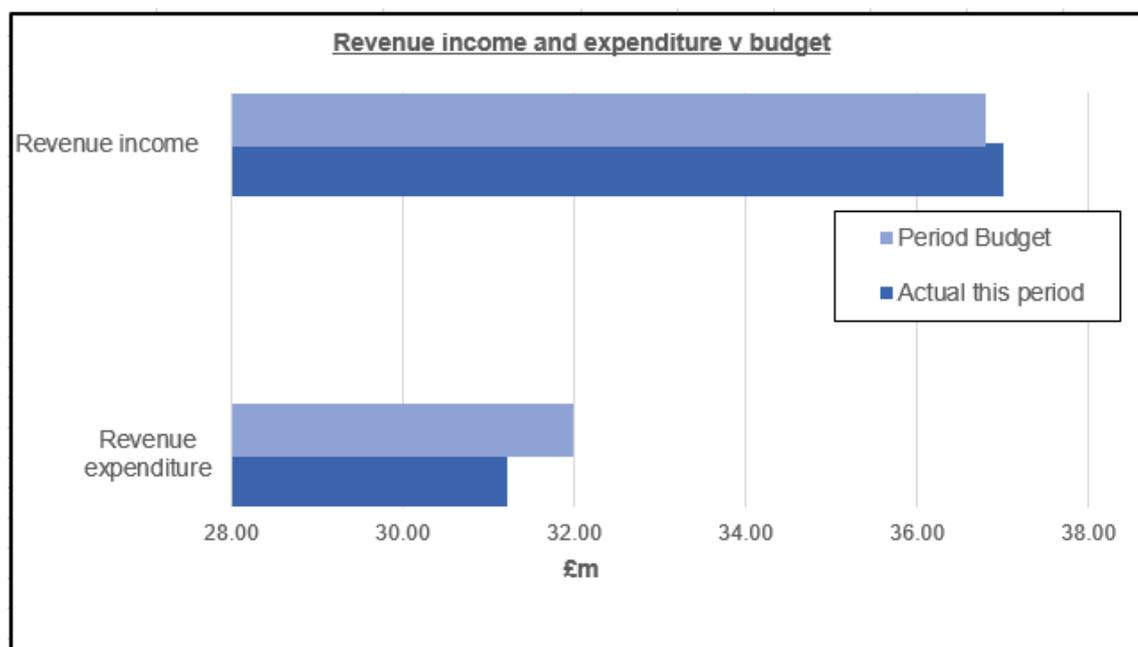
**Key indicators**

- 2.7 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.
- 2.8 There have been no further reportable (RIDDOR) accidents reported since the previous meeting, leaving the total for the year at none.
- 2.9 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 budget**

**2019/20**

- 2.10 A summary of the 2019/20 current spend to budget as at June 2019 is attached at **Appendix 1**. A RAG rating has been included to identify budgets that need further review with budget holders. There are no ‘red’ areas of concern to report at this early stage of the financial year. The graphic below summarises the position.



- 2.11 The approved annual budget included a £1.2m deficit to be funded from general reserves. Forecasts will be undertaken during the year and reported back to this Committee.
- 2.12 Progress on capital budgets is being monitored through the Investment Committee which receives regular reports on expenditure forecasts and information on this is available via the papers on the website.

### **Risk management**

- 2.13 Work is continuing to further roll out and embed corporate risk management arrangements throughout the organisation. Areas of corporate risk are continuing to be routinely considered and escalated through items built into the standard agendas for formal meetings including Senior Leadership Team, Senior Management Team, Directorate Management Teams and the Regulatory and Compliance Board.
- 2.14 Senior officers have recently undertaken a detailed review of the corporate risk register and as a result of this have suggested a number of changes. These changes are included in the updated version of the register provided at **Appendix 2**.
- 2.15 One new risk which is assessed as 'high' has been added to the register as follows:
- Risk that the Employment Hub programme does not deliver against expected targets, due to the reliance on third party delivery. This is being mitigated through contract management which involves payment being focused on delivery, and regular consultation with delivery partners.
- 2.16 In addition to the inclusion of new risks, a number of existing risks had their rating re-assessed in light of new developments or countermeasures introduced:
- A risk regarding significant change in organisational operations and objectives arising from changes in national policy (SP3) was raised from 'Unlikely' to 'Possible' due to current central Government leadership changes and the uncertainties regarding Brexit. This has resulted in the overall rating for this risk moving from 'High' to 'Very High'.
  - A risk relating to partnership working (PC1) has reduced from 'Possible' to 'Unlikely' due to progression made on the production and implementation of an organisational partnership strategy.
  - The risk relating to financial penalty due to GDPR non-compliance (R2) has reduced from 'Highly Significant' to 'Moderate' due to increased levels of training delivered and progression against the Information Governance project milestones.
  - A risk relating to the coordination of business support in response to Brexit remained as a 'High Risk' despite significant mitigating action,

due to the continuing uncertainty around the format of the UKs departure, or non-departure, from the EU.

- 2.17 A Members risk workshop is due to take place on the 23rd July involving nominated members of the Combined Authority and the Governance and Audit Committee. The purpose of the workshop is to consider the key strategic risks affecting the organisation and to ensure that these are captured appropriately in order that mitigation plans can be further developed.

### **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**

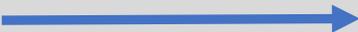
Appendix 1 - West Yorkshire Combined Authority - Summary Revenue Budget 2019/20 as at June 2019.

Appendix 2 – Corporate risk register

<b>West Yorkshire Combined Authority - Summary</b>	(A)	(B)	(B) / (A)		25%
Title	Budget 2019/20 £	June 2019 Actual £	%		RAG
<b>Expenditure</b>					
Salary & Pay Related Costs	23,574,623	5,130,428	21.8%	Reflects above average staff vacancies during the year	
Indirect Employee Related Costs	1,057,905	155,048	14.7%	Spend in line with expectations	
Premises Related Costs	6,245,146	1,696,118	27.2%	Spend in line with expectations - rents, rates paid in advance, utilities in arrears	
Travel, Transport & Subsistence Related Costs	121,662	36,373	29.9%	Spend slightly ahead of expectations though only a small budget	
Member Related Costs	153,168	51,919	33.9%	Spend slightly ahead of expectations though only a small budget	
Office Supplies & Services	516,250	47,622	9.2%	Spend in line with expectations - payments in arrears	
ICT & Telephony Costs	2,614,132	636,501	24.3%	Spend in line with expectations	
Professional & Consultancy Fees	2,301,970	261,951	11.4%	Spend in line with expectations	
Corporate Subscriptions	32,483	16,193	49.9%	Spend in line with expectations - corporate memberships paid in advance	
Marketing & PR Costs	2,079,896	170,103	8.2%	Spend in line with expectations - payments in arrears	
Insurance	304,900	299,322	98.2%	Spend in line with expectations - premiums paid annually	
Operator Payments (Transport)	25,601,325	6,427,415	25.1%	Spend slightly ahead of expectations - plans in place to address before year end	
Pre Paid Ticket Cost	34,125,000	8,180,683	24.0%	Cost matched by income (see below) ##	
Concessions	56,446,802	13,517,134	23.9%	Spend in line with expectations	
Additional Pension Costs	2,301,600	1,495,548	65.0%	Spend in line with expectations - impact of one annual payment £1.3m paid in advance	
Financing Charges	5,465,000	493,886	9.0%	Spend in line with expectations - charges accrued at the year end	
Grants	1,465,142	126,666	8.6%	Low spend below expectations - due to timing of payments	
Other Miscellaneous Costs	5,040,994	578,074	11.5%	Spend in line with expectations	
Contribution to External / Related Parties	292,261	81,885	28.0%	Spend in line with expectations - further spend expected in quarter three	
Additional Savings Target	(1,046,619)	0	0.0%	Staff budget saving target - to offset against savings in salary budget above.	
<b>Total Expenditure</b>	<b>168,693,640</b>	<b>39,402,869</b>	<b>23.4%</b>		
<b>Income</b>					
Rail Admin Grant	(878,000)	(878,000)	100.0%	Received in advance for full year	
LEP General Funding Income	(734,000)	(50,000)	6.8%	Received in arrears and towards year end	
Growing Places Fund Interest	(300,000)	(57,603)	19.2%	Received in arrears	
Enterprise Zone Receipts	(1,958,320)	0	0.0%	Previously received in arrears - discussions with partners to pay in advance	
Transport Levy	(93,198,000)	(27,959,591)	30.0%	10 instalments -three received to date	
Bus Service Operator Grant (BSOG)	(2,063,592)	(2,063,592)	100.0%	Received in full at the start of the year	
Education Contribution to Transport	(6,768,000)	(1,723,737)	25.5%		
Bus Station Tenant Income	(1,583,085)	(517,115)	32.7%	Some receipts in advance / others in arrears. Overall on budget.	
Bus Station / Services - Other Income	(2,881,917)	(404,139)	14.0%	Received in arrears	
Admin Recharges	(2,459,900)	(697,969)	28.4%		
Capitalisation of Revenue Costs	(7,740,378)	(1,498,052)	19.4%		
Pre Paid Ticket Income	(34,125,000)	(8,180,683)	24.0%	Income matches expenditure (see above) ##	
Other Income	(12,804,799)	(1,148,807)	9.0%	Received in arrears - being reviewed with budget holders.	
<b>Total Income</b>	<b>(167,494,991)</b>	<b>(45,179,288)</b>	<b>27.0%</b>		
<b>Net Expenditure</b>	<b>1,198,649</b>	<b>(5,776,419)</b>	<b>-481.9%</b>		

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## APPENDIX 2: Strategic Risk Summary

Current Risk Appetite:	Low Risk Appetite  High Risk Appetite				
	1	2	3	4	5
Compliance and Regulation					
Operational/Service Delivery					
Financial					
Reputational/Marketing/PR					
Strategic Transformational Change					
Development and Regeneration					
People and Culture					

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### Current 'Very High' risks:

Current 'Very High' risks:		Probability	Impact	Mitigation summary	Movement since last report
Very High x3	Failure to secure enhanced funding and devolved powers (F1)	Possible	Highly significant	Devolution discussions continuing	No Change
	Failure to deliver Growth Deal/other capital funding programmes within timescales/ costs (SD2)	Possible	Highly significant	Significant controls in place through PMO	No Change
	Major unanticipated change in national policy resulting in failure to meet organisation/organisational objectives (SP3)	Possible	Highly significant	Ongoing dialogue with Government. Monitoring of national policy trends	Increased

**Current 'High' risks:**

		<b>Probability</b>	<b>Impact</b>	<b>Mitigation summary</b>	<b>Movement since last report</b>
<p style="text-align: center;">190</p> <div style="background-color: yellow; border: 1px solid black; border-radius: 10px; padding: 5px; text-align: center; width: fit-content; margin: 0 auto;"> <p><b>High x16</b></p> </div>	Failure to have the supporting infrastructure and processes in place to deliver against corporate priorities (SD3)	Possible	Major disruption	Transformation programme & corporate technology programme in place and addressing this	No Change
	Failure to have in place the capacity, skills and resource needed to deliver increased workload (HR1)	Possible	Major disruption	Organisational structures largely embedded. Ongoing monitoring	No Change
	Failure to deliver CA objectives and outcomes to demonstrate that CA/LEP is making a difference (SD1)	Possible	Major disruption	Continuing to embed remaining elements of change programme	No Change
	Failure to secure sufficient and continued funding for key services (F2)	Possible	Moderate	Ongoing review of funding opportunities/bids. Budget monitoring	No Change
	Failure to deliver appropriate working arrangements with District partners (PC1)	Unlikely	Major disruption	Continuing to strengthen key partnerships	Probability reduced
	Risk of legal proceedings/financial penalty of not being compliant with GDPR (R2)	Possible	Moderate	Information asset register/data policies continually reviewed	Impact reduced
	Risk that national terrorism threat level is raised to 'imminent' resulting in unanticipated operational changes/costs (SP2)	Possible	Major Disruption	Continued review of national trends/ Incident management training ongoing	No Change
	Insufficient national & local investment in the inclusive industrial strategy to make the transformational change needed (SP1)	Possible	Moderate	Ongoing dialogue and proactive engagement with Government	No Change
	Risk of legal challenge as a result of not being compliant with HR, Financial, procurement and Governance Legislation (R1)	Possible	Moderate	Policies/procedures in place and subject to ongoing review	No Change
	Financial failure of a major contractor/supplier to the CA or a recipient of funding from the CA (F3)	Possible	Moderate	Contract management, regular financial checks and escalation processes	No Change
	Risk of Major incident at CA facility, accident /injury to vulnerable person(s) (SS1)	Unlikely	Highly significant	Policies/procedures/training in place and continually reviewed	No Change
	Failure to generate sufficient business rates income to support corporate revenue projections (PC2)	Possible	Major Disruption	Prudent income forecasting. Dedicated Enterprise Zone team in place	No Change
	Risk that Brexit response not sufficiently well coordinated across local partners leading to loss or duplication of service (SP4)	Possible	Moderate	Continuing dialogue with local partners & assessment of potential responses	No Change
	Significant transport disruption arises from major transport investment programmes (PC3)	Possible	Major Disruption	Creation of a travel demand management plan and close working with programme sponsors	No Change
	Business failure of transport providers (SD4)	Possible	Major Disruption	Open dialogues for early warnings	No Change
	Risk that the Employment Hub programme is not delivered as required due to reliance on third party delivery	Possible	Major Disruption	Regular meetings with delivery partner. Evidence based payment system in place.	NEW

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**Report to:** Governance and Audit Committee

**Date:** 23 July 2019

**Subject:** **Annual Accountability Reporting**

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**Director(s):** Angela Taylor, Director of Corporate Services

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

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## 1. Purpose of this report

- 1.1 To provide annual reports in respect of complaints and concerns raised about the Leeds City Region Local Enterprise Partnership (the LEP) and/or members of the LEP Board this year.
- 1.2 To provide a summary of applications for grants considered during the last financial year under arrangements to address conflicts of interest.

## 2. Information

### Annual reports

- 2.1 Concerns from a member of the public or a third party about the LEP may be reported through:
  - the procedure for considering complaints alleging a failure to comply with the LEP Board Members' Code of Conduct,
  - the LEP's confidential complaints procedure,
  - the LEP's whistleblowing policy.

Complaints about the LEP may also be channelled through the Combined Authority's complaints policy.

- 2.2 The procedure for considering complaints alleging a failure to comply with the LEP Board Members' Code of Conduct requires the Monitoring Officer to report annually to the LEP and to the Governance and Audit Committee about any complaints received about any member of the LEP Board, and the outcome of any such complaint. The Monitoring Officer can now report that no complaint has been received to date under this procedure.

- 2.3 Nor has any complaint been received under the confidential complaints procedure, nor under the Combined Authority's complaints procedure.
- 2.4 The LEP's Whistleblowing Policy provides for the Combined Authority's Internal Audit Manager to provide an annual report to the LEP and to the Combined Authority's Governance and Audit Committee. The Internal Audit Manager has confirmed that no concerns were received under this policy during the financial year 2018-19.

#### Grant applications

- 2.5 In May 2019, the LEP and the Combined Authority jointly adopted an overarching Conflicts of Interest Policy and Protocol. The Policy provides an overview of conduct-related provisions applying to Members and officers, with a particular focus on conflicts of interest arising in respect of applications for loans or grants to business, which is addressed by way of the Conflicts of Interest Protocol. The Protocol seeks to ensure that such applications are dealt with fairly and impartially, including where decisions are made by officers under delegated authority. (The specific declaration requirements in the Codes of Conduct adopted by the Combined Authority and the LEP reflect statutory requirements relating to declarations at formal meetings, and do not extend to declarations outside of formal meetings of the LEP Board or committees). The Policy is attached as **Appendix 1** to this report, and the Protocol as **Appendix 2**, for information.
- 2.6 The arrangements set out in the Protocol replaced provisions in the Combined Authority's Officer Delegation Scheme which required applications for economic loans or grants in respect of which a member had an interest, to be referred to the Chair of the Overview and Scrutiny Committee, before approval.
- 2.7 For transparency and accountability, **Appendix 3** to this report is a summary of grant applications considered by officers under delegated authority in the financial year 2018-19, and their outcome. Declarations made by members at the LEP Board or panel meetings are publically available on the LEP or Combined Authority's web-site as they are recorded in the minutes for each meeting.
- 2.8 For accountability in respect of other procedures of the Combined Authority, the Annual Internal Audit Report and Opinion on this agenda provides an update in respect of the Combined Authority's whistleblowing policy, and addresses compliance with the Combined Authority's Code of Conduct for members.

### **3. Financial Implications**

- 3.1 None.

#### **4. Legal Implications**

4.1 None.

#### **5. Staffing Implications**

5.1 None.

#### **6. External Consultees**

6.1 None.

#### **7. Recommendations**

7.1 That the Governance and Audit Committee notes that no complaints or concerns have been raised this year about the LEP (or about any member of the LEP Board) under the LEP's complaints procedures, the Combined Authority's complaints policy and the LEP's whistleblowing policy.

7.2 That the Governance and Audit Committee notes

- the Conflicts of Interest Protocol and Policy attached as Appendices 1 and 2 to this report, and
- the summary set out in Appendix 3 to this report, relating to grant applications considered under conflict of interest arrangements in place during 2018-19.

#### **8. Background Documents**

8.1 None.

#### **9. Appendices**

Appendix 1 – Conflicts of Interest Policy

Appendix 2 – Conflicts of Interest Protocol

Appendix 3 – summary of grant applications considered under conflict of interest arrangements during 2018-19.

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# Leeds City Region Enterprise Partnership

## West Yorkshire Combined Authority

### Conflicts of Interest Policy

#### 1. Introduction

The Leeds City Region Enterprise Partnership (the LEP) and the West Yorkshire Combined Authority (the Combined Authority) are committed to ensuring that the Members and officers act in line with the **Nolan Principles** of public life, which are selflessness, integrity, objectivity, accountability, openness, honesty and leadership.

This Conflicts of Interest Policy applies to:

- any member of the LEP Board,
- any member of the Combined Authority,
- any voting member of a Combined Authority committee or panel, including any advisory panel which reports to the LEP,
- any officer of the Combined Authority, and
- any officer of a local authority who advise the Combined Authority or LEP.

The policy provides an overview of how conflicts of interest are managed, by reference to the procedures which the LEP and the Combined Authority have in place to maintain high ethical standards and protect their reputation against any allegation of conflicting interests. These include requirements to register and declare interests.

The policy must be followed throughout all decision-making processes; the LEP and the Combined Authority are committed to ensuring that this policy applies to decisions taken at formal meetings or by individuals on behalf of the LEP or the Combined Authority under delegated authority. It is communicated to everyone involved in decision-making by the LEP and Combined Authority, to ensure their commitment to it.

To ensure transparency, the LEP and the Combined Authority record and publish decisions in accordance with agreed procedures.

#### 2. Definition

A conflict of interest is a set of circumstances which creates a risk that an individual's ability to apply judgement or act in a role is, or could be, impaired or unduly influenced by a secondary interest of that individual, or of another person.

For example, a conflict of interest would arise where a member of the LEP Board has an interest, for instance, as a shareholder in a company that is a potential beneficiary of grant funding, conflicting with the interests of the LEP.

Conflicts of interest may inhibit open discussions and may result in irrelevant considerations being taken into account or decisions being taken that are not in the best interests of the LEP nor of the Combined Authority.

This policy covers **commercial, personal, actual or potential conflicts of interests**; for the purposes of this policy, the *perception* of competing interests, impaired judgement or undue influence can also amount to a conflict of interest.

### 3. General

All members and officers must **take personal responsibility** for declaring their interests and avoiding perceptions of bias.

Where any conflict of interest arises outside of those which they are specifically required to register or declare, they should **err on the side of caution** and declare these interests in line with the Nolan Principles.

This policy applies whether they are decision-makers, consultees or involved in any other way in relation to any decision to be taken by the LEP or the Combined Authority.

### 4. Members of the LEP Board

Members of the LEP Board are required to comply with the **LEP Board Members' Code of Conduct**. The Code requires members to comply with the Nolan Principles and sets out the procedures for registering and declaring pecuniary and non-pecuniary interests, and managing conflicts which arise at a formal meeting of the LEP Board. It also extends to any conflict of interest arising in respect of an urgent decision taken by the Chair on behalf of the LEP.

The LEP Board's **Procedure for Considering Complaints** alleging a failure to comply with the LEP Board Members' Code of Conduct sets out the process that the LEP will follow if a member of the LEP Board is alleged to have failed to comply with the Code.

**Registers of interests** completed by members of the LEP Board are published on the Combined Authority's web-site, accessible from the LEP's web-site.

The Code also includes specific requirements and restrictions in relation to disclosing an interest:

- when **considering applications for funding**
- when **applying for a loan or grant**
- when **applying to provide contracted work or services**.

It also addresses **canvassing for appointments** to the Combined Authority.

The Code of Conduct sets out requirements for declaring pecuniary and other interests at formal meetings of the LEP Board. The **Conflicts of Interest Protocol**:

**applications for loans or grants** manages conflicts of interest which may arise when a decision is taken by an officer, in respect of a loan or grant from the LEP or the Combined Authority.

## **5. Members of the Combined Authority and voting members of any Combined Authority committee or panel**

These members are required to comply with the **Combined Authority's Members' Code of Conduct**. The Code sets out the procedures for registering and declaring pecuniary and other interests, and managing conflicts which arise at any formal meeting of the Combined Authority or a committee or panel appointed by the Combined Authority, including advisory panels which report to the LEP.

The Code of Conduct sets out requirements for declaring pecuniary and other interests at formal meetings, where members are decision-makers. The **Conflicts of Interest Protocol: applications for loans or grants** manages any conflict of interest which may arise when a decision is taken by an officer, in respect of a loan or grant from the LEP or the Combined Authority.

The Combined Authority's **Procedure for Considering Complaints** alleging a failure to comply with the Members' Code of Conduct sets out the process to be followed if a member is alleged to have failed to comply with the Code.

**Registers of interests** are published on the Combined Authority's web-site.

The Combined Authority's Procedure Standing Orders also specify additional requirements and restrictions in relation to:

- **canvassing for appointments** to the Combined Authority, and
- **disclosing any relationship** between the member and an officer, or a candidate for employment.

## **6. Officers**

Officers of the Combined Authority must comply with the **Combined Authority's Officer Code of Conduct** and **Gifts and Hospitality Policy** when they are working for the Combined Authority or advising the LEP.

The **LEP Constitution** also requires:

- senior officers of the Combined Authority and officers involved in advising the LEP to complete a **LEP Officer's register** of interests,
- any officer from another local authority advising the LEP to comply with their authority's officer Code of Conduct, and
- any officer advising the LEP Board to be mindful of potential conflicts of interest, and exclude themselves for advising on any matter where their personal or professional interests are such that their integrity or objectivity may be questioned.

The **Combined Authority's Procedure Standing Orders** require officers of the Combined Authority to disclose any **relationship with a member**. They also reflect statutory provisions relating to:

- prohibiting officers from being operators, directors, partners or employees of public passenger transport services, and
- recording **pecuniary interests in contracts**.

The **Combined Authority's Contracts Standing Orders** addresses potential conflicts of interests arising in respect of **contracts** with the Combined Authority for goods, services or an interest in property.

## **7. Loans or grants to businesses**

At the request of members, to promote greater transparency, the **Conflicts of Interest Protocol: loans or grants to businesses** attached as appendix 1 to this policy, sets out a process which the LEP and the Combined Authority follows to demonstrate that applications from businesses for loans or grants are dealt with in an impartial, fair and transparent way outside of formal meetings, by an officer. It provides a safeguard (for the LEP, the Combined Authority and for applicants) to minimise the risk of reputational damage from any perception of undue influence.

The process requires additional scrutiny of any application where a potential conflict of interest arises.

## Leeds City Region Enterprise Partnership

### West Yorkshire Combined Authority

#### Conflicts of Interest Protocol: Loans or grants to businesses

##### 1. Purpose

The Codes of Conduct adopted by the LEP and the Combined Authority address how members are required to register and declare pecuniary and other interests at formal meetings where members take decisions.

This **Conflicts of Interest Protocol: loans or grants to businesses** sets out the process which the LEP and the Combined Authority follow to demonstrate that applications from businesses for loans or grants are dealt with in an impartial, fair and transparent way, including where they are considered by officers. It provides an additional safeguard (for the LEP, the Combined Authority and for applicants) to minimise the risk of reputational damage from any perception of undue influence.

The process requires additional scrutiny of any application where a potential conflict of interest arises.

##### 2. Scope

This protocol should be followed where an application for a loan or grant is made by any business (including a company, social enterprise or a sole trader) to the LEP or to the Combined Authority<sup>1</sup>.

The protocol applies to:

- any member of the LEP Board,
- any member of the Combined Authority, and
- any voting member of a committee or panel of the Combined Authority, (including an advisory panel which reports to the LEP).

It applies to both local authority and private sector representatives.

##### 3. General

This protocol supplements the Conflicts of Interest Policy. It does not replace or alter any requirement of the Codes of Conduct for the LEP and the Combined Authority,

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<sup>1</sup> Including any grant or application under the following funding streams or programmes: Access Innovation, Apprenticeship Grants for Employers, Business Growth Programme, Cycling and Walking Fund, Digital Inward Investment Fund, Growing Places Fund, Resource Efficiency Fund, Strategic Business Growth and Strategic Inward Investment Fund.

nor any other procedure of the LEP or the Combined Authority which addresses conflicts of interest.

Where any conflict of interest arises outside of those specifically required to be registered or declared under any Code of Conduct, a procedure referred to in the Conflict of Interest Policy or this protocol, a member should declare their interests **erring on the side of caution**, in line with the Nolan Principles.

#### 4. Setting policies and strategies relating to loans and grants

Members must follow the relevant Codes of Conduct which set out requirements for registering and declaring interests at meetings. These Codes restrict members' involvement in decision making at formal meetings of the LEP Board, the Combined Authority and committees and panels where a conflict of interest arises.

However, to secure the input of suitable expertise and a range of representative views into the decision-making process, appropriate involvement in matters in which Members may have an interest<sup>2</sup> is facilitated by exceptions and dispensations granted under the Codes.

Members are not generally precluded from participating in or voting on developing or setting any overarching policy or strategy, including setting criteria against which any application for a loan or grant will be assessed. However, **this is subject to exceptions** such as where a direct financial interest arises.

At any meeting where an item relates to a **change of criteria** for any loan or grant programme in respect of which a member (or a business in which they have registered an interest) has applied for a loan or grant during the previous 24 months (successfully or otherwise), the member should declare the application. Any such declaration should be noted in the minutes of the meeting, but (unless otherwise precluded by the Code) the member may nevertheless participate and vote in the decision.

A member may, however, choose not to participate or vote in the item if they are aware that any proposed change in criteria may affect an application which they (or the business in which they have registered an interest) intend to make for the loan or grant.

Members should check with the Monitoring Officer if they are unsure whether they may participate or vote in relation to any particular item.

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<sup>2</sup> For example, where they are appointed because of their expertise in a particular sector.

## 5. Applying for a grant or loan

Each application form for a loan or grant to businesses will ask the applicant to declare whether the applicant, any Director(s) or employee(s) of the business, or their spouse or civil partner<sup>3</sup>, is:

- a) a member of the LEP Board,
- b) a member of the Combined Authority,
- c) a voting member of any committee or panel appointed of the Combined Authority (including any advisory panel which reports to the LEP), or
- d) an employee of the Combined Authority.

**All applicants must declare any potential conflicts of interest** on their application form. Failure to do so will affect their application – see section 7 below.

To facilitate this, members who (to comply with a Code of Conduct) have registered an interest in any business<sup>4</sup>, must:

- **notify that business of their involvement** with the LEP or the Combined Authority,
- **ask the business to declare their involvement** as a conflict of interest when applying for any relevant loan or grant, and
- **make arrangements for the business to notify them** on any occasion when the business applies for a relevant loan or grant.

Members must also:

- a) **notify the Monitoring Officer**<sup>5</sup> on each occasion where:
  - they apply for a loan or grant, or
  - a business which is registered as an interest on their register of interest applies for a loan or grant<sup>6</sup>,
  - any other interest arises which may be perceived as giving rise to a conflict of interest (for example, where an application is made by a close friend, or family member, or they are related to an officer of the Combined Authority).
- b) so far as reasonably practicable **avoid any personal involvement**<sup>7</sup> with any application to the LEP or the Combined Authority for any loan or grant, or

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<sup>3</sup> Any reference in this protocol to a spouse or partner should be taken as including any person with whom the member lives as a spouse or civil partner

<sup>4</sup> Including any business interest of their spouse or civil partner which they are required to register.

<sup>5</sup> The Executive Support Officer (Private Sector Representatives) may receive notifications from private sector representatives, and the Governance Services Manager from local authority representatives on behalf of the Monitoring Officer.

<sup>6</sup> This includes any interest of their spouse or civil partner which they are required to register.

<sup>7</sup> This includes advising on, drafting or signing the application

c) where it is not reasonably practicable to avoid personal involvement with an application:<sup>8</sup>

- **declare on any application form their involvement** if they are not a signatory,
- **not discuss the application verbally** with any officer of the Combined Authority, and
- **communicate only in writing** about the application after it has been submitted.

## 6. Advising on loan and grant applications

To avoid improper use of “inside information” about the assessment process for applications, where a member’s role includes or has included **advising on individual grant and loan applications from businesses**, no application from them, their spouse or civil partner, or from a business which they have (or should have) registered as an interest under the relevant Code of Conduct shall be considered until **6 months** has elapsed since they carried out that role.

## 7. Considering loan and grant applications

Every application is considered on its own merits, and no applications are granted unless the eligibility criteria for the loan or grant are met.

**No member may participate or vote on any decision-making relating to any application in respect of which they have a conflict of interest.**

**Members must not seek in any way to improperly influence the outcome of any application which has (or may be) made in which they have an interest.**

Where an interest has been declared by an applicant on the application form, and/or a member (or where an interest is otherwise brought to the attention of a relevant Director<sup>9</sup>), the application will not be progressed unless:

a) the Monitoring Officer has confirmed that:

- the member has **registered the business as an interest** on their register in accordance with the requirements of the relevant Code of Conduct, and
- a full and complete **declaration of interest** by the member has been received in relation to the application in accordance paragraph 5 of this protocol.

and

<sup>8</sup> For example, where they are a sole trader and apply on their own behalf

<sup>9</sup> Each relevant Director will carry out a **sample audit** of applications at quarterly intervals, to review whether declarations are being made in line with this protocol.

b) the relevant Director has confirmed that:

- a **declaration of interest was made by the applicant** on the application form in accordance with paragraph 5,
- **the member did not discuss the application verbally** with any officer of the Combined Authority after its submission, nor otherwise **seek to improperly influence** the application.

Subject to a) and b) above, where an interest arises, the application should be referred for determination by:

- the Combined Authority's Managing Director, or
- a meeting of the Combined Authority or a relevant committee<sup>10</sup>.

An application may only be granted further to a recommendation from a **relevant Director** who has assessed the application, and confirmed that it has been considered on its own merits and meets relevant eligibility criteria.

The decision-maker should take into account any other relevant information which relates to the conflict of interest.

The **record of any decision** about an application where a conflict of interest has arisen must record the conflict of interest declared by the member, and that this protocol has been followed<sup>11</sup>.

## 8. Reporting

The Monitoring Officer will **annually report** to the LEP Board and Combined Authority's Governance and Audit Committee on the number and outcome of applications considered in accordance with this protocol during the financial year and on any breaches of the protocol.

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<sup>10</sup> For example, where the Managing Director considers that they should not exercise their delegated authority in respect of the application.

<sup>11</sup> This extends to any published record of the loan or grant.

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**Summary of grant applications dealt with under conflict of interest arrangements, 2018/19**

<b>Funding Stream</b>	<b>Name of applicant (business)</b>	<b>Name of member</b>	<b>Interest declared by member</b>	<b>Chair of Overview and Scrutiny Committee consulted</b>	<b>Decision-maker</b>	<b>Date of decision</b>	<b>Outcome</b>
Access Innovation	Reliance Precision Ltd	Andrew Wright	√	√	Ben Still	06/02/2019	Approved
Access Innovation	Slipstream Engineering Design Ltd	Philip Wilson	√	√	Ben Still	03/09/2018	Approved
Business Growth Programme	Slipstream Engineering Design Ltd	Philip Wilson	√	√	Ben Still	05/04/2019*	Approved

\* This application was received in 18/19 but was formally approved in April 2019

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**Report to:** Governance and Audit Committee

**Date:** 23 July 2019

**Subject:** **Committee on Standards in Public Life Publication**

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**Director(s):** Angela Taylor, Director of Corporate Services

**Author(s):** E Davenport, Governance Lawyer

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## 1. Purpose of this report

- 1.1 To consider the report from the Committee on Standards in Public Life, on local government ethical standards and review the recent and proposed changes to the arrangements put in place by the Combined Authority to address the Committee's recommendations.

## 2. Information

- 2.1 A report on local government ethical standards by the Committee on Standards in Public Life, (an advisory non-departmental public body sponsored by the Cabinet Office) was published earlier this year. The report is available [here](#). The Committee did not take evidence relating to combined authorities, but many of its findings and recommendations are relevant to the West Yorkshire Combined Authority (the Combined Authority), given that the statutory requirements underpinning standards arrangements are, in the main, the same for local authorities and combined authorities. (A key difference is that combined authorities have no responsibility in relation to parish or town councils. There are also some differences in relation to membership arrangements for committees).
- 2.2 The Combined Authority resolved at the Annual Meeting on 27 June 2019 to request the Governance and Audit Committee to review the report from the Committee on Standards in Public Life, and consider any further recommendations in respect of the Combined Authority's standards arrangements.

### Formal recommendations

- 2.3 The Committee concluded that arrangements for local management of standards should continue but need to be supported by robust safeguards.

The Committee's recommendations for change are set out in pages 14 – 17 of the report. Key recommendations include that:

- the Local Government Association should produce an **updated model code of conduct**, to be used by local authorities in developing and updating their own codes. However, the Committee recognised the importance of authorities having ownership of their codes and so did not recommend that adoption of the national model should be mandatory.
- **disclosable pecuniary interests be extended** to include: unpaid directorships; trusteeships; management roles in a charity or body of a public nature; and membership of any organisations that seek to influence opinion or public policy.
- local authorities should have **power to suspend councillors** for up to six months.
- the **criminal offences** in the Localism Act 2011 relating to disclosable pecuniary interests **should be abolished**.

#### Best Practice Recommendations

- 2.4 Many of the formal recommendations of the Committee need to be implemented by legislation, and so cannot be of immediate effect. However, the Committee also made some best practice recommendations, to local authorities – see pages 19-20 of the Committee's report. **Appendix 1** to this report summarises these and the progress already made by the Combined Authority to date in addressing them. Some minor amendments are proposed to the Combined Authority's Members' **Code of Conduct** and the **Procedure for Considering Complaints against Members** which were approved at the Combined Authority's Annual Meeting. The revised Code of Conduct is attached as **Appendix 2** to this report, and the revised Procedure as **Appendix 3**, for information, with the changes highlighted.

#### Other amendments to the Code

- 2.5 Other amendments were also made to the Code at the Combined Authority's Annual Meeting, further to the annual review by the Head of Legal and Governance Services. These are set out in the table below, for information:

<b>Paragraph of the Code</b>	<b>Amendment</b>
New paragraph 19	Reference inserted to the Conflicts of Interest Policy and Protocol (see further item 13).
New footnote to paragraph 20 – disclosure of significant interests	For clarity and to be comprehensive, reference inserted to disclosing close connections when considering any application for a loan or business, where these do not fall within the category of a disclosable interest.
Annex 2	New annex relating to Gifts and Hospitality, to provide clarity and promote transparency.

## General issues raised by the report

- 2.6 In relation to more general issues addressed by the Committee in their report, (outside of their formal recommendations and best practice advice), Chapter 2 relates to Codes of Conduct, in particular the requirements relating to the disclosure of interests. The Combined Authority's Code of Conduct supplements the statutory requirements for disclosure of pecuniary interests by requiring Members:
- to register gifts and hospitality of over £50, and
  - to consider whether to continue to participate at a meeting where they have any "significant interest" in a matter.
- The Conflicts of Interest Policy and Protocol also supplement the disclosure requirements, in relation to conflicts of interest arising from an application to the Combined Authority for a business grant or loan. The Head of Legal and Governance Services does not, therefore, propose any immediate further amendments to the Code relating to the disclosure of interests, pending progress on the proposed national model code.
- 2.7 Chapter seven of the Committee's report touches on LEP governance. Although the LEP is not a local authority, at the LEP's annual meeting, the LEP nevertheless also reviewed its Code of Conduct and Procedure for Considering Complaints against Members against the best practice recommendations of the Committee, and made consequent amendments to its arrangements consistent with those made by the Combined Authority. In addition LEP Board private sector members have the opportunity to receive an induction and training from both the LEP Network as well as the LEP. The LEP Network induction is primarily focussed on a central government and policy perspective, whereas the LEP separately provides an induction on our governance, structure and decision making processes as well as overview training on the LEP's workstreams. Throughout their term of office LEP Board members also receive more detailed training on specific areas of work relevant to their LEP role as well as communications and media training.
- 2.8 Other miscellaneous pertinent issues raised by the report, (outside of the formal recommendations and best practice advice), are addressed in **Appendix 4** to this report, with commentary or proposals from the Head of Legal and Governance Services. The Head of Legal and Governance Services also proposes to exercise her delegated authority to make some consequential minor amendments to Appendices 2 and 3 for clarification, as highlighted on those appendices.
- 2.9 As Members are aware, the Governance and Audit Committee carries out the role of a standards committee for the Combined Authority. The Committee's report (at page 95) states the role of a standards committee as "continuously reviewing ethical standards and drawing...attention to areas where standards could be better upheld". To facilitate this, the Governance and Audit Committee receives both an Annual Internal Audit Report and Opinion and an annual accountability report which relate to ethical standards. However, the Governance and Audit Committee are asked to identify any additional actions

which they may wish to implement, to secure effective continuous review of ethical standards.

- 2.10 The Governance and Audit Committee is requested to review the Combined Authority's standards arrangements, further to the report from the Committee on Standards in Public Life and taking into account the progress made to date as set out in Appendix 1 of this report.

### **3. Recommendations**

3.1 The Governance and Audit Committee is asked to:

- 3.1.1 Consider the report on local government ethical standards issued by the Committee on Standards in Public Life and its recommendations.
- 3.1.2 Review the Combined Authority's arrangements for promoting ethical standards against the best practice recommendations of the Committee, as set out in Appendix 1 to this report, noting
- the amendments made to date by the Combined Authority and the LEP, and
  - the proposals put forward by the Head of Legal and Governance Services.
- 3.1.3 Review the Combined Authority's arrangements for promoting ethical standards generally and consider any further actions required to enhance these.

### **4. Background Documents**

None.

### **5. Appendices**

Appendix 1 – Summary of Best Practice Recommendations

Appendix 2 – Combined Authority's Members' Code of Conduct

Appendix 3 – Combined Authority's Procedure for Considering Complaints against Members

Appendix 4 - Miscellaneous general issues raised by the Committee's report

## Best practice from the Committee for Standards in Public Life

Best practice	Combined Authority position
1 Local authorities should include prohibitions on bullying and harassment in codes of conduct. These should include a definition of bullying and harassment, supplemented with a list of examples of the sort of behaviour covered by such a definition.	Existing provision prohibits bullying.  Code (Appendix 2) now amended at paragraph 7(b) to prohibit harassment, and a footnote inserted with definitions and examples taken from the Committee's report.
2 Councils should include provisions in their code of conduct requiring councillors to comply with any formal standards investigation, and prohibiting trivial or malicious allegations by councillors.	New footnotes now inserted at paragraph 4 of the Code <ul style="list-style-type: none"> <li>• clarifying that the requirement to co-operate with any scrutiny extends to a formal standards investigation, and</li> <li>• relating to trivial or malicious allegations by members.</li> </ul>
3 Principal authorities should review their code of conduct each year and regularly seek, where possible, the views of the public, community organisations and neighbouring authorities.	The current practice is to review the Code of Conduct annually at the Annual Meeting. The Head of Legal and Governance Services proposes to consult with the following when the Code is next reviewed: <ul style="list-style-type: none"> <li>• the Monitoring Officer of each West Yorkshire council and the City of York Council,</li> <li>• the public,</li> <li>• the independent persons appointed by the Combined Authority</li> </ul>
4 An authority's code should be readily accessible to both councillors and the public, in a prominent position on a council's website and available in council premises.	No action is necessary. The Combined Authority's Code is readily accessible on the Combined Authority's web-site. A hard copy is available on request at the Combined Authority's offices.
5 Local authorities should update their gifts and hospitality register at least once per quarter, and publish it in an accessible format, such as CSV.	No action necessary. Members are required to update the Gifts and Hospitality Register within 28 days of any offer. The Register is published on the Combined Authority's web-site in an accessible format.
6 Councils should publish a clear and straightforward public interest test against which allegations are filtered.	The procedure for considering complaints (Appendix 3) has now been amended at paragraph 9 to incorporate reference to a public interest test. The Head of Legal and Governance Services now proposes to clarify this by adding a new footnote to identify the public interest test. The proposed wording is highlighted in the Appendix.

	<b>Best practice</b>	<b>Combined Authority position</b>
7	Local authorities should have access to at least two Independent Persons.	No action necessary; the Combined Authority has appointed two Independent Persons.
8	An Independent Person should be consulted about undertaking a formal investigation on an allegation, and should be given the option to review and comment on allegations which the responsible officer is minded to dismiss as being without merit, vexatious, or trivial.	The procedure for considering complaints has now been amended to reflect best practice recommendation: <ul style="list-style-type: none"> <li>• paragraph 7 – new footnote, and</li> <li>• paragraph 9(k) – new footnote.</li> </ul>
9	Where an authority makes a decision on an allegation of misconduct following a formal investigation, a decision notice should be published as soon as possible on its website, including a brief statement of facts, the provisions of the code engaged by the allegations, the view of the Independent Person, the reasoning of the decision-maker, and any sanction applied.	The procedure for considering complaints has now been amended to reflect the best practice recommendation – new paragraph 38. However, in view of the concern expressed by the Committee on p 57 of the report that an Independent Person should enjoy legal indemnity if their views are to be disclosed, the Head of Legal and Governance Services now proposes to clarify that the view of the Independent Person will not be published unless legal indemnity is in place for that person.
10	An authority should have straightforward and accessible guidance on its website on how to make a complaint under the code of conduct, the process for handling complaints, and estimated timescales for investigations and outcomes.	The Head of Legal and Governance Services proposes to review the information currently provided on the website in relation to complaints, for compliance with this recommendation.
11 and 12	Not relevant – parish councils only	N/A
13	A local authority should have procedures in place to address any conflicts of interest when undertaking a standards investigation. Possible steps should include asking the Monitoring Officer from a different authority to undertake the investigation.	The procedure for considering complaints has now been amended to reflect best practice recommendation: new footnote 2 to paragraph 2.
14	Councils should report on separate bodies they have set up on which they own as part of their annual governance statement, and give a full picture of their relationship with those bodies. Separate bodies created by local authorities should abide by the Nolan principle of openness, and publish their board agendas and minutes and annual reports in an accessible place	The Combined Authority's role as accountable body for the LEP is fully documented in the Leeds City Region Assurance Framework, and reviewed as part of the annual governance statement.  The LEP's Code of Conduct reflects the Nolan principles, and the LEP's governance procedures provide for the

	<b>Best practice</b>	<b>Combined Authority position</b>
		publication of agenda, reports and minutes.
15	Senior officers should meet regularly with political group leaders or group whips to discuss standards issues (in particular training).	<p>There are no group whip or political group leader arrangements for the Combined Authority. However, the Combined Authority's Managing Director meets regularly with the Chair of the Combined Authority.</p> <p>Training on standards issues is provided for Members annually, as part of Members' induction arrangements, which are open to all. Local Authority Members also receive relevant training from their own authorities.</p> <p>All Members receive written guidance on completing their registers of interest, and on complying with the Conflicts of Interest Protocol.</p>

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## West Yorkshire Combined Authority Members' Code of Conduct

This Code applies to **members**<sup>1</sup> and **voting co-opted members**<sup>2</sup> (including any voting private sector representatives) of the Combined Authority, in all aspects of your public life<sup>3</sup>.

The Combined Authority expects you to follow this Code when:-

- conducting the work of the Combined Authority,
- representing the Combined Authority on any external organisation, and
- otherwise acting in your official capacity.

The Code does not apply to you in your purely private and personal life.

### Part One – Principles of Conduct

You must have regard to, and act in accordance with, the following principles:

#### 1. **Selflessness**

You should serve only in the public interest and should never improperly confer an advantage or disadvantage on any person, organisation or group or any other third party.

#### 2. **Honesty and Integrity**

You should not place yourself in situations where your honesty and integrity may be questioned. You should not behave improperly and should avoid the appearance of such behaviour.

#### 3. **Objectivity**

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<sup>1</sup> And substitute members of the Combined Authority, appointed under Schedule 1 paragraph 1(4) and (7).

<sup>2</sup> A voting co-opted member of the Combined Authority is a person who is not a member of the Combined Authority, but who is:

- a member of any committee or sub-committee of the Combined Authority, or
- a member of, and represents the authority on, any joint committee or joint sub-committee of the Combined Authority and who is entitled to vote on any question that falls to be decided at any meeting of that committee or sub-committee.

The Code also applies to any substitute of a voting co-opted member.

<sup>3</sup> Any reference to a member in the Code or its appendices should be taken to include any member of the Combined Authority, their substitute member or voting co-opted member of the Combined Authority and any substitute of a voting co-opted member.

You must make decisions (including making appointments and approving the awarding of contracts):

- based on the information before you,
- having regard to any professional advice provided,
- in accordance with your view of the public interest, and
- on merit.

#### 4. **Accountability**

You are accountable to the public for your decisions and actions and the manner in which you carry out your duties. You must co-operate fully and honestly with any scrutiny appropriate to your office<sup>4</sup>.

You should not undertake any action which would bring the Combined Authority, your position, or the position of members generally, into disrepute<sup>5</sup>.

#### 5. **Openness**

You must be as open as possible about your actions and those of the Combined Authority, and should be prepared to give reasons for those actions.

#### 6. **Leadership**

You must promote and maintain high standards of conduct by supporting these principles by leadership and by example. You should act in a way that secures or preserves the confidence of others.

You must have due regard to the impartiality and integrity of the Combined Authority's statutory officers and its other officers.<sup>6</sup> You should comply with any protocol adopted by the Combined Authority from time to time on Member/Officer Relations.

## **Part Two – General Obligations**

7. You must treat others with respect. You must not:-

- a) do anything which may cause the Combined Authority to breach any duty relating to equality,

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<sup>4</sup> Including any formal standards investigation.

<sup>5</sup> For example, you should not make trivial or malicious, vexatious, politically motivated or tit-for-tat allegations.

<sup>6</sup> As a member, you may express yourself robustly in representing your, or any constituents' views, although where a member engages in a sustained or systematic challenge of an officer which is unfounded or in any other way unreasonable, such conduct would fall within the scope of this Code. However an unintentional remark, made in isolation, is unlikely to amount to a failure to comply with the Code.

- b) bully or harass any person<sup>7</sup>,
- c) intimidate or attempt to intimidate any person who is or is likely to be:
  - a complainant,
  - a witness, or
  - otherwise involved

in any investigation or proceedings in relation to an allegation that a member has failed to comply with this Code, nor

- d) do anything which compromises or is likely to compromise the impartiality of those who work for, or on behalf of the Combined Authority.

8. You must not:-

- a) disclose information given to you in confidence by anyone, or information acquired by you which you believe, or ought reasonably to be aware, is of a confidential nature, except where:-
  - (i) you have the consent of a person authorised to give it,
  - (ii) you are required by law to do so,
  - (iii) the disclosure is made to a third party for the purpose of obtaining professional advice provided that the third party agrees not to disclose the information to any other person, or

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<sup>7</sup> Bullying may be characterised as: offensive, intimidating, malicious or insulting behaviour; or an abuse or misuse of power in a way that intends to undermine, humiliate, criticise unfairly or injure someone. "Harassment is defined in the Equality Act 2010 as "unwanted conduct related to a relevant protected characteristic, which has the purpose or effect of violating an individual's dignity or creating an intimidating, hostile, degrading, humiliating or offensive environment for that individual". A member should not be considered to be bullying or harassing simply by making persistent enquiries or requests for information, nor by saying something that the individual concerned simply dislikes or with which they strongly disagree. Examples of bullying include:

- spreading malicious rumours, or insulting someone by word or behaviour
- copying memos that are critical about someone to others who do not need to know
- ridiculing or demeaning someone – picking on them or setting them up to fail
- exclusion or victimisation
- unfair treatment
- overbearing supervision or other misuse of power or position
- unwelcome sexual advances – touching, standing too close, display of offensive materials, asking for sexual favours, making decisions on the basis of sexual advances being accepted or rejected
- making threats or comments about job security without foundation
- deliberately undermining a competent worker by overloading and constant criticism
- preventing individuals progressing by intentionally blocking promotion or training opportunities.

- (iv) the disclosure is reasonable and in the public interest **and** made in good faith and in compliance with the reasonable requirements of the Combined Authority.

nor

- b) prevent another person from gaining access to information to which that person is entitled by law.
9. You must have regard to the Code of Recommended Practice on Local Authority Publicity made under the Local Government Act 1986.
10. You must have regard to any relevant advice provided by any officer of the Combined Authority, including:
- the Chief Finance Officer, and
  - the Monitoring Officer.
11. Members must give reasons for all decisions in accordance with any statutory requirements and any additional requirements of the Combined Authority.

### Part Three – Registering Interests

12. The Monitoring Officer maintains a register of interests of members, in accordance with statutory requirements. The register is:-
- available for inspection at the Combined Authority’s offices, and
  - published on the Combined Authority’s web-site.
13. You must notify the Monitoring Officer of pecuniary and other interests as set out below. The Monitoring Officer will enter them into the register of interests.

#### Disclosable Pecuniary Interests

14. A pecuniary interest is any interest of a description set out in the second column of **Annex 1** to this Code<sup>8</sup>.
15. A pecuniary interest is a **disclosable pecuniary interest** if it is a pecuniary interest and either:-
- a) it is an interest of yours, or
  - b) it is an interest of any other relevant person, these being:-
    - (i) your spouse or civil partner,
    - (ii) a person with whom you live as husband and wife, or
    - (iii) a person with whom you live as if you were civil partners,

and you are aware that the other person has the interest.

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<sup>8</sup> Annex 1 sets out the descriptions of pecuniary interests specified in regulations made by the Secretary of State (SI 2012/1464).

16. You must notify the Monitoring Officer of:-
- a) any disclosable pecuniary interests you have within 28 days of your appointment to the Combined Authority<sup>9</sup> and
  - b) any changes to your disclosable pecuniary interests within 28 days of:-
    - the change occurring, or
    - you becoming aware of the change.

### **Gifts and Hospitality<sup>10</sup>**

17. You must notify the Monitoring Officer within 28 days of any offer, acceptance or receipt of a **gift or hospitality**
- with an estimated value of **over £50**, and
  - offered or given to you in your role as a member.

### **Applications for any loan or grant**

18. You should comply with the Combined Authority's Conflicts of Interest Protocol, including any requirement to notify the Monitoring Officer about, and avoid personal involvement with, any application to the LEP or the Combined Authority for any loan or grant in which you may have a conflict of interest.

### **Sensitive Interests**

19. If you have an interest (whether or not a disclosable pecuniary interest) which is entered in the register and which is such that you and the Monitoring Officer consider that disclosing the details of the interest could lead to you, or a person connected with you, to being subject to violence or intimidation, details of the interest must not be included in:-
- any published version of the register, nor
  - any copy of the register that is made available for public inspection.<sup>11</sup>

## **Part 4 – Disclosing Interests at Meetings**

20. If you are present at a meeting<sup>12</sup> of the Combined Authority, and you are aware that you have a disclosable pecuniary interest in a matter to be considered, or being considered, at the meeting:
- a) Unless you have a relevant dispensation<sup>13</sup> you may not

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<sup>9</sup> If you are re-appointed to the Combined Authority, you are required to notify the Monitoring Officer of any new disclosable pecuniary interests within 28 days of being re-appointed.

<sup>10</sup> See further **Annex 2**

<sup>11</sup> The register may state that you have an interest, the details of which are withheld under section 32(2) of the Localism Act 2011.

<sup>12</sup> Including any committee, sub-committee, joint committee or joint sub-committee of the Combined Authority.

<sup>13</sup> See paragraph 24 of the Code.

- participate, or participate further, in any discussion of the matter at the meeting, or
  - participate in any vote, or further vote, taken on the matter at the meeting.
- b) If the interest is not entered in the Combined Authority's register, you must disclose the interest to the meeting (unless the interest is a sensitive interest<sup>14</sup>). If the interest is not the subject of a pending notification, you must notify the Monitoring Officer of the interest before the end of 28 days beginning with the date of the disclosure.

### Disclosing Significant Interests

21. If you are present at a meeting<sup>15</sup> of the Combined Authority, and you are aware that you have any significant interest (other than a disclosable pecuniary interest) in a matter to be considered, or being considered, at the meeting, you:-

- may disclose the interest to the meeting, and
- must consider whether to continue participating in the matter<sup>16</sup>.

### Complaints alleging a failure to comply with the Code

22. All complaints alleging a failure to comply with this Code will be considered under a procedure agreed by the Combined Authority.

### Criminal Offences In Relation To Disclosable Pecuniary Interests

23. Failing to comply with requirements for registration and disclosure of Disclosable Pecuniary Interests may be a **criminal offence** under S34 Localism Act 2011. **Annex 3** of this Code summarises offences and sanctions under that section.

### Dispensations

24. The Combined Authority<sup>17</sup> may lift the restrictions under Paragraph 20(a) of this Code by granting a dispensation in accordance with **Annex 4**.

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<sup>14</sup> You are not required to disclose a sensitive interest, but must disclose that you have a disclosable pecuniary interest in the matter.

<sup>15</sup> Including any committee, sub-committee, joint committee or joint sub-committee of the Combined Authority.

<sup>16</sup> For example, when considering **applications for funding** you should disclose any a close connection to:

- any person (whether a family member or friend), or
- any outside body

who is a potential direct recipient or beneficiary of Combined Authority or Leeds City Region (LCR) funding.

<sup>17</sup> or any committee or officer to whom this function may be delegated by the Combined Authority.

Subject	Description of Pecuniary Interests
<b>Employment, office, trade, profession or vocation</b>	Any employment, office, trade, profession or vocation carried on for profit or gain.
<b>Sponsorship</b>	Any payment or provision of any other financial benefit (other than from the Combined Authority) made or provided within the relevant period <sup>18</sup> in respect of any expenses incurred by you in carrying out duties as a member, or towards your election expenses.  This includes any payment or financial benefit from a trade union. <sup>19</sup>
<b>Contracts</b>	Any contract which is made between you or a relevant person <sup>20</sup> (or a body in which you or a relevant person has a beneficial interest <sup>21</sup> ) and the Combined Authority:-  (a) under which goods or services are to be provided or works are to be executed; and  (b) which has not been fully discharged.
<b>Land</b>	Any beneficial interest in land <sup>22</sup> which is within the area of the Combined Authority.
<b>Licences</b>	Any licence (alone or jointly with others) to occupy land in the area of the Combined Authority for a month or longer.
<b>Corporate tenancies</b>	Any tenancy where (to your knowledge):-  (a) the landlord is the Combined Authority, and

<sup>18</sup> The relevant period means the period of 12 months ending with the day on which you notify the Monitoring Officer under paragraph 16a) and paragraph 20b) of the Code.

<sup>19</sup> Within the meaning of the Trade Union and Labour Relations (Consolidation) Act 1992.

<sup>20</sup> As defined in paragraph 15b) of the Code.

<sup>21</sup> “body in which the relevant person has a beneficial interest” means:

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

<sup>22</sup> Land excludes an easement, servitude, interest or right in or over land which does not carry with it a right for the relevant person (alone or jointly with another) to occupy the land or to receive income.

(b) the tenant is a body in which you or the relevant person<sup>23</sup> have a beneficial interest<sup>24</sup>.

## **Securities**

Any beneficial interest in securities<sup>25</sup> of a body where:-

(a) that body (to your knowledge) has a place of business or land in the area of the Combined Authority, and

(b) either:

(i) the total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital of that body; or

(ii) if the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which the relevant person has a beneficial interest exceeds one hundredth of the total issued share capital of that class.

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<sup>23</sup> See footnote 20 above.

<sup>24</sup> See footnote 21 above.

<sup>25</sup> See footnote 21 above.

### 1. Registering gifts and hospitality

- a. The Combined Authority's Monitoring Officer maintains registers of interests of members, including declarations of gifts and hospitality. The gifts and hospitality register is:
  - available for inspection at the Combined Authority's offices; and
  - published on the Combined Authority's web-site
- b. You must register any gifts and hospitality as required by paragraph 17 of this Code.
- c. Registering offers of gifts and hospitality, whether declined or accepted, demonstrates the Combined Authority's commitment to openness and transparency and help to protect the Combined Authority's reputation. Where practicable, you may, therefore, ask the Monitoring Officer to record any gifts or hospitality below the £50 threshold which are offered to you.<sup>26</sup>

### 2. General principles

- a. You should never actively seek or solicit any gift or hospitality.
- b. You should discourage third parties from offering any gift or hospitality to you.
- c. You should only accept a gift or hospitality from any third party in accordance with these principles, and **where acceptance is of some benefit to the Combined Authority**.
- d. You must **never accept** a gift or offer of hospitality which is any of the following:
  - an inducement or reward for anything that you do as a member – this is likely to constitute a criminal offence,
  - from any donor seeking (or which may seek<sup>27</sup>) a decision from (or business with) the LEP or the Combined Authority,
  - in any circumstances which may give rise to a perceived or actual conflict of interest<sup>28</sup> or undue influence,

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<sup>26</sup> For the purpose of determining whether any gift or hospitality has a value of over £50, if the exact value is unknown, you should always err on the side of caution. **When deciding whether to register any gift below the £50 threshold, you should take into account the cumulative total of any gifts received from any single source over the previous 12 months.**

<sup>27</sup> For these purposes, you should not accept any gift or hospitality where it is reasonably foreseeable that a donor may seek a decision from or business with the LEP or the Combined Authority within the next 6 months.

<sup>28</sup> A conflict of interest is a set of circumstances which creates a risk that an individual's ability to apply judgement or act in a role is or could be impaired or unduly influenced by a secondary interest of that individual or of another person.

- for any third party including any relative or friend of yours, except where the Head of Legal and Governance Services has confirmed in advance that that acceptance is unlikely to be perceived as giving rise to a conflict of interest,
  - lavish or over-generous, nor
  - where offers from the same donor are over-frequent.
- e. Any **expenses** offered to you by any third party should be treated as a gift, in accordance with the requirements of the Code and this Annex.
- f. You should **never** accept any gifts of cash (or items of specific monetary value such as vouchers).

### 3. Advice and Guidance

- a. If in doubt about whether to accept any gift or hospitality, you should ask the Monitoring Officer for advice. If in doubt, err on the side of caution and decline the gift or hospitality.
- b. You should have regard to any advice or guidance issued by the Monitoring Officer in respect of gifts and hospitality.

## **Summary of Criminal Offences and Sanctions<sup>29</sup>**

### **Offences**

1. A person commits an offence if, without reasonable excuse, the person:-
  - (a) fails to:-
    - register any disclosable pecuniary interest<sup>30</sup>, or
    - disclose a disclosable pecuniary interest not entered on the register<sup>31</sup>, or
  - (b) participates in any discussion or vote, where they have a disclosable pecuniary interest.<sup>32</sup>
2. A person commits an offence if when registering a disclosable pecuniary interest or disclosing an interest not entered on the register<sup>33</sup>, the person provides information that is false or misleading and the person:-
  - (a) knows that the information is false or misleading, or
  - (b) is reckless as to whether the information is true and not misleading.

### **Sanctions**

3. A person who is guilty of such offence may be fined up to £5000.
4. A court may also disqualify the person for up to five years for being or becoming (by election or otherwise) a member or co-opted member of the Combined Authority or any other relevant authority.

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<sup>29</sup> S34 Localism Act 2011.

<sup>30</sup> Under S30(1) or S31(3) or (7) Localism Act 2011.

<sup>31</sup> Under S31(2) Localism Act 2011.

<sup>32</sup> In contravention of S31(4) Localism Act 2011.

<sup>33</sup> Under S30(1) or 31(2), (3) or (7) Localism Act 2011.

## Dispensations

### Requests

1. The Combined Authority<sup>34</sup> will consider any requests for a dispensation.
2. Any request for a dispensation must be made in writing to the Monitoring Officer.
3. A request will not be granted unless it is made **not less than 10 clear days** before the date of the meeting to which the request relates, except where the Monitoring Officer considers that there are exceptional circumstances.

### Period

4. A dispensation must specify the period for which a dispensation has effect, which must not exceed four years.

### Criteria

5. The Combined Authority may grant you a dispensation only if having regard to all relevant circumstances the Combined Authority considers that:
  - without the dispensation, the number of members prohibited from participating in any particular business would be so great a proportion of the Combined Authority<sup>35</sup> as to **impede the transaction of the business**,
  - without the dispensation, the **representation of different political groups** on the Combined Authority would be so upset as to alter the likely outcome of any vote on the matter,
  - the dispensation is in the **interests of persons living in the Combined Authority's area**, or
  - it is **otherwise appropriate** to grant a dispensation.
6. In determining whether to grant dispensation requests, the Combined Authority may consider:
  - whether the nature of the member's interest is such that to allow the member to participate would not damage public confidence in the conduct of the Combined Authority's business,
  - whether the interest is common to the member and a significant proportion of the general public,
  - whether the participation of the member in the business that the interest relates to is justified by a member's particular role or expertise, and

<sup>34</sup> Or any committee or officer to whom this function may be delegated by the Combined Authority.

<sup>35</sup> Or body transacting the business.

- whether the interest is trivial or remote.

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## West Yorkshire Combined Authority

### Procedure for considering complaints alleging a failure to comply with the Members' Code of Conduct

#### Introduction

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

#### Submitting a Complaint

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

#### Stage 1 - Initial Assessment by the Monitoring Officer

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<sup>1</sup> and any substitute. Any reference in this procedure to a "member" should be construed as being a reference to any member to whom the Code applies.

<sup>2</sup> Where any potential conflict of interest arises from the involvement of the Monitoring Officer, the Combined Authority's Managing Director may ask a Monitoring Officer from another authority to deal with the complaint, including undertaking any investigation.

6. The Monitoring Officer will notify a member about any complaint against them<sup>3</sup>.
7. The Monitoring Officer will decide whether the complaint should be dealt with under Stage 2 of this procedure<sup>4</sup>.
8. Where a complaint may relate to a member in their capacity as a member of a constituent or non-constituent council, the Monitoring Officer will consult with the Monitoring Officer of the relevant council.

### Complaints which will not be dealt with under Stage 2

9. No complaint will be pursued unless it is in the opinion of the Monitoring Officer, in the public interest to do so<sup>5</sup>. Except in exceptional circumstances, a complaint will not be dealt with under Stage 2 of this procedure if it is a complaint which:
  - a. is submitted **anonymously**,<sup>6</sup>
  - b. does **not identify the member**,
  - c. relates to a member's **personal or private life**,
  - d. alleges that a **criminal offence** has been committed,
  - e. is about **failing to respond** to a request from a constituent or other individual,
  - f. relates to alleged actions by **officers** of the Combined Authority, or a **service related issue**,
  - g. relates to a **decision** of the Combined Authority, a committee of the Combined Authority or an officer of the Combined Authority,

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<sup>3</sup> This is for information only, where the Monitoring Officer decides that the complaint should not be dealt with further under this procedure.

<sup>4</sup> The Monitoring Officer should consult an Independent Person before deciding whether a complaint should be pursued by way of a formal investigation.

<sup>5</sup> The public interest test will take into account the factors set out in a.to I. below, and other relevant considerations including:

- whether there is any evidence provided to support the complaint,
- whether it is possible to investigate the complaint, and
- whether an investigation is proportionate.

<sup>6</sup> Complaints which contain a request for the complainant's identity to be withheld may be dealt with under this procedure, although the complainant's identity will only be withheld if, in the opinion of the Monitoring Officer, there are exceptional circumstances. If the Monitoring Officer does not consider that the complainant's identity should be withheld, the complainant will be given the opportunity to withdraw the complaint. Anonymous complaints which reveal potential fraud or corruption will be referred to the Head of Internal Audit for consideration under the Combined Authority's Whistle Blowing Policy.

- h. relates to a person who is **no longer a member** of the Combined Authority,
  - i. refers principally to an alleged incident **before the person became a member** of the Combined Authority,
  - j. refers principally to an alleged incident which happened so long **in the past** that there would be little benefit in taking action,
  - k. contains **trivial allegations**, or which appear to be simply **malicious, vexatious, politically motivated** or **tit-for-tat**<sup>7</sup>, or
  - l. concerns alleged behaviour which has **already** been **investigated** or subject to some form of action.
10. If a complaint alleges that a criminal offence has been committed,<sup>8</sup> the Monitoring Officer may direct any such complaint to the West Yorkshire Police. Before making this decision, the Monitoring Officer may consult with:
- the Chair of the Combined Authority,
  - the Chair of the Governance and Audit Committee,
  - the Head of Paid Service,
  - the Chief Finance Officer, or
  - an Independent Person<sup>9</sup>.
11. The Monitoring Officer will refer any complaint about an **officer or service related issue** to the Head of Paid Service.
12. The Monitoring Officer will explain in writing to the complainant why the complaint will not be dealt with under Stage 2 of this procedure.
13. There is no appeal against any decision taken by the Monitoring Officer at this stage.

## Stage 2 - Informal Resolution

14. If the Monitoring Officer decides that the complaint should be dealt with under Stage 2 of this procedure, the Monitoring Officer will refer the complaint to the member and any relevant Group Leader<sup>10</sup>, with a request that they seek to resolve the complaint. The Monitoring Officer will provide the member with:
- a reasonable timescale for this (usually **20 working days**), and

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<sup>7</sup> The Monitoring Officer should give an Independent Person the option to review and comment on allegations which the Monitoring Officer is minded to dismiss as falling within this provision.

<sup>8</sup> Such as fraud, or an offence relating to failing to register or disclose a disclosable pecuniary interest under S34 Localism Act 2011.

<sup>9</sup> Appointed under S28 Localism Act 2011.

<sup>10</sup> If the complaint is about a Group Leader, the Monitoring Officer may refer the matter to the relevant Group Whip within the relevant council.

- the contact details for an Independent Person,
  - **clear guidance about this procedure, and their responsibilities within it.**
15. The Monitoring Officer will also write to the complainant to explain that the member has been asked to seek to resolve the complaint. The Monitoring Officer will provide the complainant with a copy of this procedure.
16. Informal resolution may include:
- a. an **explanation** by the member of the circumstances surrounding the complaint,
  - b. an **apology** from the member,
  - c. an agreement from the member to attend relevant **training** or to take part in a **mentoring** process,
  - d. an offer of **mediation or conciliation** between the member and the complainant, or
  - e. **any other action** capable of resolving the complaint.
17. The member may seek guidance from:
- a Group Leader or Group Whip, and/or
  - the Monitoring Officer.
18. The member may also ask an **Independent Person** for their view of the complaint and about an appropriate form of resolution. To avoid a conflict of interests arising, an Independent Person should not provide views to both a member and the Governance and Audit Committee on the same complaint.
19. The member may also ask the complainant what form of informal resolution they would find acceptable, particularly if the resolution they have requested in their complaint is not possible.
20. At the end of the 20 working day period, the Monitoring Officer in consultation with the Chair of the Governance and Audit Committee, will decide whether the complaint is resolved.
21. Where the complaint is **resolved**, the Monitoring Officer will confirm to the complainant and the member in writing that there will be **no further action** taken under this procedure.
22. Where the complaint is **not resolved**, the Monitoring Officer will refer the complaint to the **Governance and Audit Committee**. The Monitoring Officer will ask the complainant and the member to submit **written representations** about the complaint and any response to it.

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

### Stage 3 – Governance and Audit Committee<sup>11</sup>

24. The Monitoring Officer will prepare a report for the Governance and Audit Committee, which will include:
- a. a **copy of the complaint** and any **response** from the member,
  - b. **minutes** of any relevant meetings,
  - c. details of **measures taken** to address the complaint,
  - d. any further **written representations** from the complainant or the member, and
  - e. any **view** submitted in writing to the Committee by an Independent Person<sup>12</sup>.
25. Where possible the Governance and Audit Committee will consider the report within **20 working days** of it being finalised by the Monitoring Officer.
26. The Monitoring Officer will invite the Group Leader or Group Whip (if relevant) to attend the meeting of the Governance and Audit Committee.<sup>13</sup>
27. Before reaching a decision on the complaint, the Committee must seek, and take account of, the view of **an Independent Person** in relation to the complaint<sup>14</sup>. The Monitoring Officer will invite that Independent Person to attend the meeting of the Governance and Audit Committee<sup>15</sup>. If the Independent Person cannot attend the meeting they must submit their view to the Governance and Audit Committee in writing.
28. The Monitoring Officer will attend the meeting to present their report.

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<sup>11</sup> Or any sub-committee appointed by the Governance and Audit Committee which has authority to determine complaints under this procedure.

<sup>12</sup> See further below.

<sup>13</sup> The Chair may invite them to speak at the meeting, but any Group Leader or Group Whip who attends in response to such an invitation cannot participate or vote as a member of the committee.

<sup>14</sup> As required by S28 (7)(a) Localism Act 2011. The Monitoring Officer will ask the Independent Person to confirm that they are still independent and to notify the Monitoring Officer of any circumstances which might be perceived as presenting a potential conflict of interest on the part of the Independent Person. If the Independent Person is not still independent, or in the event of any conflict of interest arising, the Monitoring Officer will refer the matter to another Independent Person.

<sup>15</sup> The Chair will ask the Independent Person to give their view at the meeting, but an Independent Person cannot participate or vote as a member of the committee.

29. The Governance and Audit Committee will consider the report of the Monitoring Officer and may also ask questions of anyone present at the meeting.
30. The Governance and Audit Committee must decide whether the member has failed to comply with the Code.
31. If the Governance and Audit Committee is unable to reach a decision on the complaint on the basis of the information before it, it may adjourn the meeting and request that the Monitoring Officer seeks any further information required. However, when doing so, the Committee should consider whether such information will be readily available to the Monitoring Officer. Any request for information must be provided to both the complainant and the member.
32. If the Governance and Audit Committee decides<sup>16</sup> that the member did **not** fail to comply with the Code, the complaints process will conclude.
33. If the Governance and Audit Committee decides<sup>17</sup> that the member **has failed** to comply with the Code, the Committee must go on to consider:
  - a. Whether to take action against the member; and
  - b. What **action** it should recommend to the Combined Authority.

### **Recommendations to the Combined Authority**

34. Where the Governance and Audit Committee decides that the member has failed to comply with the Code, the Governance and Audit Committee may recommend:
  - a. a **formal letter to the member** from the Chair of the Governance and Audit Committee which will be copied to the Group Leader and/or the Group Whip,
  - b. **removal** by the Combined Authority of the member **from any committee or sub-committee** (if they are a member of it), either permanently or for a specified period of time,
  - c. a **formal letter** from the Chair of the Governance and Audit Committee **to the Leader of the appointing Council** copied to the relevant Monitoring Officer and Group Whip, or
  - d. **formal censure** by the Combined Authority.
35. Whether or not there has been a failure to comply with the Code, the Governance and Audit Committee may in any event make **general recommendations** to the Combined Authority with a view to promoting and maintaining high standards of conduct within the Combined Authority. Such

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<sup>16</sup> On the balance of probabilities, that is, it is more likely than not.

<sup>17</sup> See footnote above.

recommendations may include changes to Combined Authority procedures and practices or training for members in general.

36. Within **5 working days** of the meeting the Chair of the Governance and Audit Committee will write to the complainant and the member explaining the decision of the Committee and setting out any recommendations made to the Combined Authority.
37. The Monitoring Officer will report all recommendations of the Governance and Audit Committee to the next available meeting of the Combined Authority.
38. The Monitoring Officer will publish a decision notice as soon as practicable on the Combined Authority's website, to include:
  - a brief statement of facts,
  - the provisions of the Code engaged by the allegations,
  - the view of the Independent Person<sup>18</sup>,
  - the reasoning of the Governance and Audit Committee, and
  - any sanction recommended or applied.
39. There is no right of appeal against a decision of the Governance and Audit Committee<sup>19</sup>.

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<sup>18</sup> Provided that legal indemnity has been provided for the Independent Person

<sup>19</sup> The Local Government and Social Care Ombudsman may investigate the Combined Authority's decision-making process in undertaking a standards investigation or imposing a sanction on the grounds of maladministration where there is some evidence of injustice, for example, an unreasonable delay or evidence of a conflict of interest. Referrals to the Ombudsman may be made by a complainant or a subject Member. The Ombudsman may recommend a remedy to the Combined Authority, but this is not legally enforceable. A referral to the Ombudsman is not however, an appeal process against any finding of a breach of the Code of Conduct.

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## Miscellaneous general issues raised by the Committee’s report

	<b>Page number</b>	<b>Issue</b>	<b>Comment/Recommendation</b>
1.	p35	The report indicates that adopting a member- officer protocol may support the maintenance of a good working culture	The Combined Authority has not adopted a member-officer protocol. The Head of Legal and Governance Services has, however, provided a guidance note for officers supporting Members. She does not propose to progress a member-officer protocol, pending progress on a national model code of conduct.
2.	p36	Reference to a “blanket policy” of not publishing members’ home addresses as part of their register of interests.	Members may request their details are withheld from the published register of interest on the grounds of sensitivity. In practice this has been done to date, where requested, further to careful consideration by the Monitoring Officer. No further action is therefore proposed.
3.	p40	Guidance on use of social media	Guidance has been issued, but will be subject to review further to any amendments to legislation or the issue of a national model code of conduct.
4.	p56	Independent Persons should have a fixed term of 2 years, and a maximum of 2 terms. Terms of multiple members should ideally overlap to provide continuity and institutional memory.	The current Independent Persons have been in post since the Combined Authority was established in 2014. The Head of Legal and Governance Services proposes to take this guidance into account when carrying out the appointment process for these positions.
5.	p85	External auditor should be named on the whistleblowing procedure	The Head of Legal and Governance Services proposes to progress this.
6.	p88	Separate bodies – governance and arrangements	The Director of Corporate Services proposes to review whether there are any additional bodies connected to the Combined Authority, (other than the LEP), for which the governance arrangements should be reviewed.

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