

GOVERNANCE AND AUDIT COMMITTEE

**MEETING TO BE HELD AT 11.00 AM ON THURSDAY, 30 JULY 2020
AS A REMOTE MEETING - TO BE LIVESTREAMED HERE:
[HTTPS://WWW.YOUTUBE.COM/CHANNEL/UCAZJNSGPQZZT41VIBN2
ZK9A/LIVE](https://www.youtube.com/channel/UCAZJNSGPQZZT41VIBN2ZK9A/LIVE) (COPY AND PASTE THE LINK IN YOUR BROWSER).**

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- 2. DECLARATIONS OF DISCLOSABLE PECUNIARY INTERESTS**
- 3. EXCLUSION OF THE PRESS AND PUBLIC**
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AUDIT COMMITTEE HELD ON 12 MAY**
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Signed:



**Managing Director
West Yorkshire Combined Authority**

MINUTES OF THE MEETING OF THE GOVERNANCE AND AUDIT COMMITTEE HELD REMOTELY ON TUESDAY, 12 MAY 2020

Present:

Councillor Susan Hinchcliffe
Joanna Wardman
Councillor David Hall
Councillor Shabir Pandor
Councillor Tim Swift MBE

Bradford Council (Chair)
Independent Member
Kirklees Council
Kirklees Council
Calderdale Council

In attendance:

Mark Outterside
Mark Kirkham
Angela Taylor
Bronwyn Baker
Jonathan Sheard
Ruth Chaplin

Mazars Auditors
Mazars Auditors
West Yorkshire Combined Authority
West Yorkshire Combined Authority
West Yorkshire Combined Authority
West Yorkshire Combined Authority

36. Appointment of Chair

Resolved: In the absence of Andy Clayton, it was agreed that Councillor Susan Hinchcliffe chair the meeting.

37. Chair's Comments

Members were advised that this meeting had been rescheduled from 19 March 2020 which was postponed due the COVID-19 lockdown restrictions.

On 4 April 2020 new regulations came into force which made provision to enable local authorities (including Combined Authorities) to hold meetings remotely via means such as telephone conferencing, video conferencing, live webcast, and live interactive streaming provided that the press and public have real time access to the meetings and website access to the papers. In this respect, the meeting was being livestreamed via YouTube.

The reports to be considered had already been published for the postponed meeting and these have been reissued with updates added. An additional report had been included on the agenda following the budget announcement regarding the proposed devolution of the Adult Education Budget.

38. Apologies for Absence

Apologies for absence were received from Andy Clayton.

39. Declarations of Disclosable Pecuniary Interests

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

40. Exclusion of the Press and Public

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

41. Minutes of the Meeting of the Governance and Audit Committee held on 23 January

Resolved: That the minutes of the meeting held on 23 January 2020 be approved.

42. Internal Audit Progress Report

The Committee considered a report and appendix which provided an update on the progress of the internal audit function against the delivery of the annual internal audit plan.

The Head of Internal Audit reported that her team had been providing some support to the organisation's COVID-19 response but work would now be starting on the 2020/21 internal audit plan subject to its approval.

It was noted that work was almost complete on the 2019/20 audit delivery and Members discussed the completed reviews and advisory report in respect of compliance with HR policies. It was noted that the issues identified had all been fully resolved and further guidance and awareness training would continue to be carried out with managers. It was requested that updates be provided to future meetings.

It was noted that the Authority was undertaking a significant technology programme which included a full revision of existing disaster recovery arrangements but due to the COVID-19 pandemic, there had been delays in finalising the plan. However an interim working document was successfully utilised when the Government announced the lockdown. The organisation had coped well with the situation as all staff had been provided with new equipment prior to the lockdown as part of the corporate technology programme. This had enabled all office based staff to work from home with access to full systems and the Committee asked that their thanks be passed to the ICT team for their involvement in this process.

Resolved: That the internal audit progress be noted.

43. Proposed Internal Audit Plan 2020/21

The Committee considered a report on the proposed audit plan for 2020/21 which was attached at Appendix 1.

It was noted that the proposed plan had been updated following discussion at the previous meeting and that any internal audit plan is subject to a continual review process once approved. However due to COVID-19 and the progression towards becoming a Mayoral Combined Authority, this will now be subject to further review. The Committee was asked to approve it so that work can start on some areas of the plan and an update would be brought to the next meeting with any proposed changes.

Resolved: That the draft Internal Audit Plan 2020/21 be approved and that it be kept under review at subsequent meetings.

44. External Audit Update

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

The meeting was attended by Mark Outterside and Mark Kirkham from Mazars. The Committee was advised that work was on track and Mazars had completed their interim audit fieldwork. Appendix 1 to the submitted report provided an update on the audit work already completed and it was reported that after early substantive testing of key systems and controls there were no matters to bring to the Committee's attention.

An update from the Public Sector Audit Appointments Limited (PSAA) was attached at Appendix 2. This provided information on audit planning and audit fees. Members noted that it had been agreed with the Chair of the Committee not to participate in the consultation on audit fees on this occasion due to the good level of external audit services provided to the Authority and the assurances provided by Mazars at these meetings. Confirmation had now been received from the PSSA that the audit fee for 2020/21 would be £25,964, the same as the previous year (copy attached at Appendix 3). Due to the COVID-19 pandemic, public authorities have been granted deadline extensions for the annual accounts, with final/audited accounts due by 30 November 2020. However it was proposed to follow the usual timescale of presenting the accounts to the Committee at end of July 2020 for final approval.

The impact of COVID-19 on all local authorities' budgets was noted. The Combined Authority's budget for the current year had been agreed in February prior to the pandemic and options to address the funding gaps now being created, particularly in respect of transport, were being considered. This included lobbying Government for support and Councillor Hinchcliffe advised the meeting that she had written to the Minister on behalf of the Combined Authority asking how the gaps in the budget will be addressed. A meeting of the Budget Working Group would be arranged to consider proposals.

Resolved:

- (i) That the external audit progress report attached at Appendix 1 to the submitted report be noted.

- (ii) That the Public Sector Audit Appointments Limited updates at Appendices 2 and 3 of the submitted report be noted.

45. Compliance and Monitoring

The Committee considered a report on compliance and monitoring which set out any changes to the arrangements for internal controls since the last meeting of the Committee and the current financial position.

The current revenue spend to budget as at February 2020 was attached at Appendix 1 and the 2019/20 final outturn figures will be brought to the next meeting. The business plans and budgets for 2020/21 were attached at Appendices 2, 3 and 4 and had been approved by the Combined Authority at their meeting held on 6 February 2020. Work to revise the 2020/21 budget due to COVID-19 was underway and options and proposals would be considered by the Budget Working Group and a report brought to the next meeting.

Members discussed the draft capital strategy which was attached at Appendix 5. In recommending the draft strategy to the Combined Authority for approval, it was noted that the strategy would require early review to ensure it remained fit for purpose for the COVID-19 response. A further report would be brought to a future meeting.

Members discussed the corporate risk register which was attached at Appendix 6. It was noted that this is being updated to reflect the impact of the COVID-19 pandemic and will be brought to the next meeting.

The Committee thanked Governance Services for the new arrangements which were speedily put in place following lockdown in respect of decision making and meeting arrangements

Resolved:

- (i) That the report be noted.
- (ii) That the draft capital strategy be recommended to the Combined Authority for approval, noting that an early review would be required.

46. Devolved Adult Education Budget Assurance

The Committee considered a report on Devolved Adult Education Budget (AEB) Assurance.

Members discussed the proposed plans for the Combined Authority to receive devolved powers and manage the devolved Adult Education Budget (AEB) from 2021 on which additional assurances will need to be given.

It was reported that additional funding of £63 million would be devolved and the Internal Audit team have been allocated resources for a part time Principal Auditor to support preparation work. Further resource requirements are to be identified once the funding rules and assurance framework have been

determined.

A Project Board has been convened, which includes representation from internal audit, to prepare for the devolution of the AEB from Government as part of the West Yorkshire devolution deal. Internal audit is also involved in the implementation phase of the project including the development of appropriate controls and assurance processes over expenditure of the devolved funding.

The Committee discussed the implications for internal audit and the Governance and Audit Committee which were set out in paragraphs 2.7 and 2.8 of the submitted report. The Department for Education (DfE), require that various Readiness Conditions relating to corporate control measures are met. These were attached at Appendix 1 and the Committee confirmed it was satisfied that compliance was being met for the aspects highlighted. It was noted that the AEB devolution project would be included on the corporate risk register and regular compliance and quality audits of contract evidence would be undertaken.

Resolved: That the compliance assurances provided in relation to internal audit and the Governance and Audit Committee be noted.

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Report to: Governance and Audit Committee

Date: 30 July 2020

Subject: **Internal Audit Progress Report**

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

Author(s): Bron Baker, Head of Internal Audit

1. Purpose of this report

- 1.1. To ask members to consider the contents of the report and supporting appendix detailing progress against delivery of the annual internal audit plan and the performance of Internal Audit to date.

2. Information

Audit Delivery for 2020/21

- 2.1 Internal audit has now completed delivery against the 2019/20 plan with some delays due to the Covid-19 crisis. However, the agreed plan for 2020/21 is now in place, having been agreed at the May Governance and Audit Committee (GAC), and work is now underway to deliver against that plan.
- 2.2 As reported at the last GAC meeting, this plan will need regular review and updating to reflect the changing risks and emerging priorities for the West Yorkshire Combined Authority due to both the Covid-19 crisis and the work resulting from the Devolution deal.

Completed reviews since the last Governance and Audit Committee

- 2.3 Since the last Governance and Audit Committee meeting reviews on compliance with Procurement and Contract Management within the business, a Corporate Contract Management review and an ICT Software Management Report have been issued. This work is summarised in the attached progress report at Appendix 1.

Customer Feedback

- 2.4 Customer feedback continues to be collected and as formerly confirmed, qualitative comments are now also included for the Committee's information.

Internal Audit Organisational Design

- 2.5 As advised at the last Committee, the new auditor due to join the team in the latter half of May, has duly started and despite the difficulties of entirely remote working has been inducted and is successfully working within the team. A recruitment process is also underway for a half time Principal Auditor (with, subject to a business case, the possibility of that being full time) to provide the necessary resource to support the devolution of the Adult Education Budget.

Fraud/ Whistleblowing/ Money Laundering

- 2.6 There have been no money laundering incidents to investigate so far this year and no potential fraud allegations or whistleblowing reports to raise at this time.

3. Financial implications

- 3.1 None.

4. Legal implications

- 4.1 None.

5 Staffing implications

- 5.1 As noted in the report.

6. External Consultees

- 6.1 No external consultations have been undertaken.

7. Recommendations

- 7.1 That the Committee consider the internal audit progress to date.

8. Background Documents

None.

9. Appendices

Appendix 1 – Internal Audit Progress Report July 2020

**Governance & Audit
Committee Internal Audit
Progress Report**

July 2020

Key Headlines / Index

Top three issues – Devolution (timescales and resources), Post Covid-19 Recovery Plans, Systems (security, document storage, MI etc)

Reports issued- Summaries of the scope and findings of these reviews can be found at Pages 2-4

- Contract Management (19/20)
- Procurement and Contract Management Compliance (19/20)
- ICT Software Management (19/20)

Progress against 2020/21 Audit Plan and any planned changes - detailed at pages 5-9

Outstanding actions- There are currently no overdue agreed actions.

Feedback from clients – Page 10 details the feedback received from our auditees since the last Governance and Audit Committee report.

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Staff Changes – Recruitment for the half post to cover the Adult Education Budget (AEB) development work is underway, if a full time Principal Auditor can be identified for that post, a business case will be submitted to cover some of the gaps in resources previously identified.

Reports Issued

Contract Management

The purpose of this audit was to assess how well the Combined Authority performed against the National Audit Office (NAO) Contract Management Framework. Their Framework continues to be the government's standard reference text for contract management and is the tool routinely used by Internal Audit teams to assess performance in their own organisations.

This review identified that the central support for contract management covering both processes and guidelines is in need of improvement and investment. As the Authority moves to becoming a Mayoral Combined Authority it has the opportunity to consider how it can build a central contract management support function to help the organisation improve the basic tasks necessary for good contract management. This report does, however, recognise how much effort has gone into building the framework for developing good procurement practice and recommends that the same amount of attention is given to contract management. It is fair to say that these two activities are strongly connected and good compliant procurement needs to be followed by strong effective contract management. This will ensure that value for money delivery is realised and that the Authority achieves its goals and objectives.

Given the lack of maturity against the framework that this report identifies, our opinion provides **LIMITED** assurance that a contract management framework is sufficiently well developed.

This report is not an exhaustive examination against the Framework, rather its intention is to draw out the most useful areas for development for the Authority to consider, helping to create a more proportionate and pragmatic set of recommendations in the first instance.

The NAO also state the following in the framework. 'Contract success and failure depends as much on the soundness of the commercial strategy, the client's capability, and the robustness of the procurement as it does on the management of the contract'. It is important that the Authority considers this as it develops its contract management policies and processes.

A full set of management responses has been received, addressing the recommendations raised and progress on these actions is now underway.

Procurement and Contract Management Compliance

This review was undertaken to provide the organisation with assurance on how well existing procurement/contract management policies and procedures are being implemented in the business. This work was conducted against the revised contracts standing orders that came into force from July 2019. This did, therefore, limit the number of completed procurements that were available for review in the interview sample selected and Internal Audit will need to undertake further compliance checks in 2020/21, provision for which has already been included in the agreed audit plan for the year. As this review was being undertaken at the time of the introduction of lockdown due to Covid-19, the number of interviews were limited and this report is a reflection across the business as opposed to directorate by directorate.

The audit opinion for the work undertaken is that **REASONABLE** assurance can be given that there is generally compliance with the new procurement processes. It is important, however, to note that while contract managers, in the main, are doing their best, this is against a backdrop of little central guidance and support which makes it more difficult to measure compliance and to assess

how well contract management is performing generally. The separate report on contract management issued recently addresses a number of these areas and work is already underway to improve the current position.

Another important point to highlight is that there was considerable recognition that the procurement team have made significant improvements to processes, guidance and information on procurement and there was consistently high praise for team members and the assistance they provide to staff within the business.

Non-ICT managed applications security review

As part of continuous improvement ICT Services asked Internal Audit to provide assurance on compliance with corporate ICT security policies regarding software/ applications managed within the business. They also requested we identify any potential policy breaches/issues which could put WYCA at risk of data loss, corruption, and unauthorised disclosure (considering the penalties for breaches of the General Data Protection Regulations).

23 high risk applications detailed on the Business Application Register (BAR) were selected for review in conjunction with senior members of the ICT team from across the directorates. The 'power users', delegated by the business owner for each area to operationally manage the applications, were then interviewed and a standard set of questions regarding security controls asked and evidence requested.

As a result of the interviews and evidence gathered for this audit, our opinion is that only **LIMITED** assurance can be given that adequate security and access controls are consistently in place regarding the applications reviewed. **No specific incidents of concern were identified, but a number of recommendations have been made in order to strengthen controls within directorates under the guidance of ICT Services.** Business owners and ICT Services will be asked to take appropriate action to remedy the issues identified to ensure that any risks are fully addressed. This work will include ensuring more comprehensive guidance is available to all ICT business owners, that password changes are enforced in line with the policy and regular reviews are undertaken of users accessing systems.

2020/21 Internal Audit Plan

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	Assurance Area	Proposed scope and any changes	Proposed delivery quarter
1	Strategic planning	A high level review of the strategic, directorate and team business planning functions against best practice.	Quarter 3
2	Corporate Governance (in particular connectivity across directorates)	To potentially be looked at considering the Mayoral Combined Authority (MCA) readiness workstreams regarding elections and new governance arrangements.	Quarter 3
3	Management Information Systems (MIS) – Corporate	Business continuity/ disaster recovery and all management information systems involved to be covered with particular emphasis on COVID-19 Recovery.	Quarter 3-4
4	Management information systems (MIS) – HR & Finance <i>now Integrated Corporate Services System Development</i>	A project to develop new systems for Finance, Payroll and Human Resources (HR) commenced as part of the MCA preparation work in June 2020. This will involve the mapping of all current processes and future requirements. Internal Audit has asked to be included on the Project Board for this work so we can advise on appropriate controls and governance throughout the development and delivery of this system.	From Quarter 2 onwards
5	GDPR and data privacy	Working with the Information Governance Team to develop a self-assessment and subsequent audit verification system for directorates. This is currently in the	Quarter 3-4

		pilot stage with the Transport and Property Services directorate but has been delayed due to the focus on COVID-19 response and MCA readiness.	
6	Culture – working together	To be split at this stage to form an element of other assurance areas, in particular Counter Fraud (currently 15), Equalities (currently 18) and MCA readiness work (currently 22).	To be considered as part of other reviews and removed as a separate item
7	Financial – access to future funding streams	This is to change due to the move to an MCA where significant devolution funding should be available across a number of areas.	To be combined with Devolution/ MCA Readiness
8	ICT including cyber security (and covering Transport Services technology developments)	Awaiting the results of an ICT Risk Assessment being carried out by Salford Council's ICT Internal Audit team of specialists to advise on what should be prioritised for consideration in 2020/21. This review was delayed at the request of our ICT Services Team due to COVID-19.	Quarter 3 & 4
9	Digitisation	The Head of Internal Audit has been a key member of the digitisation workshops for both the Request for Decision (RFD) process and Corporate Technology Project (CTP) workstreams.	Ongoing throughout year
10	Health and safety	Previous external work identified a number of areas of improvement required. However, this is less applicable with the move to more staff working from home due to COVID-19, the changing health and safety framework and any changes a Mayor may want to make.	To be reviewed again and possibly deferred
11	Climate change	To cover the CA's commitment to 'Tackling the Climate Emergency' and how we propose to do this, including how this feeds into our project evaluation and relates to the Devolution workstreams on this area.	Quarter 2 – currently being scoped

12	Risk management	Annual health check to inform the audit opinion and follow up work from 2019/20.	Quarter 4
13	HR compliance follow up review	This is to be combined with the work on the HR Strategy Implementation (currently 21) and the Workforce Development Devolution workstream (currently 22). This follow up/ review is to be done in tandem with the Strategy Implementation Plan itself to ensure all work is being completed on schedule.	Quarter 3/4
14	Programme assurance	A rolling programme of reviews to be undertaken to health check that projects and programmes are moving appropriately through the assurance framework process, and how well we are applying our preferred project management methodology.	Ongoing
15	Counter fraud work	Investigative work as required, and a Proactive Counter Fraud workplan to be developed for the year to include data analytics testing and reviews on high risk areas to provide assurance on controls.	Ongoing
16	Security of assets	A review of how the organisation classifies, records and secures its physical assets to ensure this is in line with the Combined Authority Financial Regulations. To include existence checks and valuation considerations.	Quarter 2 – currently being scoped
17	Compliance with Contracts Standing Orders & Financial Regulations	Initial focus on Purchase to Pay with checks on segregation of duties and possible collusion. This can be done via Internal Audit representation on the new ERP system project board (see 4 above) where processes will be broken down and examined.	Ongoing

		Other work to be done using data analytics to detect non-compliance/ potential duplicate payments.	
18	Equalities, including bus station safety and accessibility	A review of the CA's framework to measure and ensure equality internally and throughout the region. In particular to consider the action to be taken as a result of the 'Black Lives Matter' movement to reduce racial inequality, but to also cover other biases due to sex, sexual and gender orientation and physical and mental ability.	Quarter 3
19	Procurement	A quarterly set of checks to be undertaken on contract waivers, reports of outliers and procurements being undertaken as follow-up to the 2019/20 review.	Quarterly update – currently being scoped
20	Contract management	Follow up on IA work from 2019/20.	Quarter 4
21	HR Strategy implementation	See 13 above.	Quarter 3/4
22	Devolution	An initial focus on Adult Education Budgets (AEB) by significant involvement on their project board and the development of an Audit and Assurance framework. To consider other workstreams as part of relevant assurance areas as detailed elsewhere (Corporate Governance- currently 2, Climate Change- currently 11 and HR Strategy/ Compliance- currently 13).	Ongoing throughout the year
23	Brexit	The COVID-19 crisis and Devolution deals have resulted in a shift in the priority accorded to this area within the business and from government, making it unclear what could be reviewed at this point.	On hold
24	Quality Assurance	A review of the quality standards the CA is subject to and the assurance it seeks to ensure these are being met.	Ongoing with the Head of Internal Audit working with the Corporate

		This will also be considered as part of the development of an assurance reporting framework.	Performance Team to build the framework.
25	Skills and property	Due to current Covid-19 circumstances and the MCA readiness work, this will be considered as part of other reviews specifically HR and MCA.	To be considered as part of other reviews and removed as a separate item
26	Construction (Design and Management) CDM	This was a very specific piece of work relating to Health & Safety (currently 10) that may require an external consultant for delivery.	On hold
27	Safeguarding	This was initially proposed by Transport Services with regards to their role with children and young people, however it may need expanding after considering new responsibilities after devolution, such as vulnerable adults receiving adult education.	On hold
28	Complaints handling/ casework	These processes are currently being considered as part of the MCA Readiness Workstreams, with potential links to CTP digitalisation, the Head of Internal Audit is involved with both these projects providing advice and guidance on controls and governance.	Ongoing throughout the year
29	Various grant certifications	The number of grant certifications Internal Audit has been asked to deliver has increased significantly in the last 12 months. A review of these and the resources available is currently being carried out for consideration by the Director of Corporate Services.	Ongoing Review Quarter 1/ 2

Customer Feedback

The performance information on customer feedback is included in the Annual Report for 19/20 as all the feedback relates to the work done for that plan year. The narrative feedback below, however, has not previously been reported to the Governance and Audit Committee and is therefore presented here.

Review name & report issue date	What did we do well?	What could we have done better?
Contract Management Corporate Report May 2020	<p>Took time to understand the context and where we are at, regarding development of the function. Used an independent benchmark against which to measure our practices. Managed to gain a very good oversight in a short period of time.</p>	<p>Delved a little more into the detail, drawing out more objective measures. However it is recognised that this was not possible at this point in time.</p>

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Report to: Governance and Audit Committee

Date: 30 July 2020

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

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

Author(s): Angela Taylor

1. Purpose of this report

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

2. Information

- 2.1 There is a requirement under the Accounts and Audit (England) Regulations 2015 that ‘The relevant body must conduct a review at least once in a year of the effectiveness of its system of internal control.....The findings...must be considered....by the members of the body meeting as a whole.’ There is a further requirement that ‘A larger relevant body must, at least once in each year, conduct a review of the effectiveness of its internal audit. The findings of the review...must be considered, as part of the consideration of the system of internal control ... by the committee or body...’ As a Combined Authority the appropriate body to consider these reviews is the Governance and Audit Committee.
- 2.2 The elements of the system of internal control are set out in the Corporate Governance Code and Framework, approved by the Combined Authority at its last annual meeting. The 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 2019/20 and taking into account other sources of assurance, Internal Audit have reached the opinion that, overall, the effectiveness of the Combined Authority's framework of control, governance and risk management is adequate

The full report from the Internal Audit Manager is included under agenda item 7. The AGS for the year to 31 March 2020 is included within the 2019/20 annual accounts which are appended in full to agenda item 9 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 and its work and the information in the Internal Audit annual report which sets out the work undertaken. Additionally the information available from the independent external quality review undertaken in the first part of 2019 is also relevant. This assessed the Internal Audit function in relation to compliance with Public Sector Internal Auditing Standards. This concluded "*that West Yorkshire Combined Authority's internal audit activity generally conforms with the definition of Internal Auditing, the Code of Ethics and the Public Sector Internal Audit Standards*" which is the highest rating which can be given by this type of review. A number of recommendations for further improvement were made by the independent reviewer and these have been addressed by the Head of Internal Audit.
- 2.5 The overall conclusion is therefore that the internal audit function complies with the necessary standards and has worked to an adequate standard during the year. There continue to be the same few instances of non-compliance with the PSIAS but these are deemed immaterial (they include for instance the non-involvement of the Chair of the Governance and Audit Committee in staffing appraisals for the Internal Audit Manager). It is also recognised that all services should strive for continuous improvement and the Head of Internal Audit will continue to keep under review how she and her team can deliver internal audit in the most effective and value added way.

3. 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: 30 July 2020

Subject: **Internal Audit Annual Report and Opinion 2019/20**

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

Author(s): Bron Baker, Head of Internal Audit

1. Purpose of this report

- 1.1. To ask members to note the contents of the report and supporting appendix which gives the Head of Internal Audit opinion for the year 2019/20 and a summary of the work and performance of Internal Audit over the course of the year.

2. Information

Audit Delivery for 2019/20

- 2.1 Internal audit has completed delivery against the 2019/20 plan with some delays due to the Covid-19 crisis. The plan was reviewed in year with all changes reported to the Governance and Audit Committee. These changes saw a move to more reporting on compliance within the wider business as well as more advisory work. This was both in the form of reporting and greater involvement in development to inform changes to systems, processes and governance arrangements as early in the process as possible.
- 2.2 The completed audit work together with external assurances have allowed for an opinion by the Head of Internal Audit that the effectiveness of systems of control, governance and risk management have been adequate for 2019/20.
- 2.3 Recommendations have been made by Internal Audit and actioned by management to further strengthen controls and work is continuing to build the assurance levels within the business, raising the importance of good oversight of compliance.

Audit Performance

- 2.4 The audit team has undergone significant change over this last year with three new members of the team including the Head of Internal Audit role. New audit methodologies have been introduced and new key performance indicators have been developed. The reporting in the attached appendix reflects the new

measures, but has been drawn from all the available management information for the year.

3. Financial implications

3.1 None.

4. Legal implications

4.1 None.

5 Staffing implications

5.1 As noted in the Audit Progress Report.

6. External Consultees

6.1 No external consultations have been undertaken.

7. Recommendations

7.1 That the Committee note the internal audit annual report and opinion.

8. Background Documents

None.

9. Appendices

Appendix 1 – Internal Audit Report and Opinion 2019/20

West Yorkshire Combined Authority

Internal Audit Report and Opinion 2019/20

Background

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

Scope of Internal Audit Opinion 2019/20

In providing the annual audit opinion, it should be noted that assurance can never be absolute. The most that internal audit can provide is a reasonable assurance that there are no major weaknesses in risk management, governance and control processes.

The matters raised in this report are only those which came to our attention during our internal audit work in the financial year 2019/20 and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

Annual Opinion 2019/20

From the work undertaken during the financial year 2019/20 and taking into account other sources of assurance, Internal Audit have reached the opinion that, overall, the effectiveness of the Combined Authority's framework of control, governance and risk management is adequate.

In reaching our opinion the following key factors were considered:

Risk Management

Our review of risk management confirmed that while significant progress had been made in developing a new risk management strategy, there was still some distance to travel to truly embed risk management in all the directorates and teams within the Combined Authority. Directors have taken on board recommendations made to improve the use of risk management and have confirmed that awareness raising within their individual directorates has now been completed.

Internal Audit believes that as the West Yorkshire Combined Authority moves towards a future with significantly more processes being digitised, that risk management is an area that would benefit from this. This would make it much easier for risk management to be undertaken as part of business as usual as opposed to an additional bolt on process.

Governance

The Combined Authority has continued to progress its development of its governance arrangements with the appropriate reviews and refinements to delegated authorities, the assurance framework and internal governance reporting. Further work is being undertaken to build better processes, digitise these where possible and to develop improvements to reporting that feeds into the annual assurance process. This is all positive progress and needs to now be balanced with attention to the requirements needed to be Mayoral Combined Authority (MCA) ready which will be a significant amount of work for the rest of 2020/21.

Summary of Whistleblowing Cases

Internal Audit continues to act as the primary contact point for the Combined Authority’s Whistleblowing Policy.

During the 2019/20 plan year, one referral was made via HR, but as no evidence was available, no further action was taken after initial investigation.

Summary of Fraud Cases

Internal Audit followed up on one fraud issue in 2019/20 that was identified through the bi-annual National Fraud Initiative. This related to the potential misuse of concessionary travel permits for deceased individuals. While some misuse was indicated as a result of our investigation, the potential monetary loss was neither significant nor material, however recommendations were made to tighten processes to reduce this risk further in the future.

Controls

The Combined Authority has continued to operate its system of controls in 2019/20 and Internal Audit has undertaken more compliance work within the business to assess how well those controls are being applied. This has identified that while controls appear to be working adequately, there is room for improvement around policies, the need for new, more effective systems and improved monitoring by all levels of management to ensure better compliance.

Summary of Internal Audit Work

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

	Assurance Area	Comments	Status	Assurance level
1	Creditors	NA	Completed	Reasonable
2	Payments	Specific issue, memorandum issued	Completed	NA

3	Expenses and Allowances	NA	Completed	Reasonable
4	Procurement and Contract Management Compliance	NA	Completed	Reasonable
5	Risk Management	NA	Completed	Limited
6	Code of Corporate Governance	NA	Completed	Reasonable
7	Business Recovery/ Contingency	Some work undertaken late 18/19 that was due for some follow up in the final quarter of 19/20, but not undertaken due to Covid-19 crisis.	Deferred to 20/21	NA
8	WYCA/ LEP Governance – decision making/ delegations	The Internal Governance Project was put in place to address these areas and rather than a formal review the Head of Audit is now sitting on the project board to overview actions being undertaken and make recommendations for improvement where applicable in a timely manner.	Completed	Ongoing advice and guidance.
9	Annual Governance Statement	This formed part of the agreed plan, but does not contribute to the opinion.	Completed	NA
10	English National Concessionary Travel Scheme (ENCTS)	NA	Completed	Reasonable
11	Programme Assurance	A rolling programme of reviews is to be undertaken to health check that projects and programmes are moving	Ongoing	Advisory report on Energy Accelerator completed

		appropriately through the assurance framework process. Internal Audit will also contribute to the annual review of the assurance framework.		
12	Data Security/ Data Protection	The scope of this has been amended and this is now to be a review of ICT security measures in software applications introduced/ managed in the business.	Completed	Limited
13	GDPR	NA	Completed	Reasonable
14	Contract Management	NA	Completed	Limited
15	Counter Fraud work	One investigation completed, further analytical work to be undertaken	Ongoing	NA
16	Various grant certifications	Requested by Business. All pass certification after review.	Ongoing	NA
17	Economic Services, improving fraud controls – Advisory	Requested by Business. Advisory only so no assurance given.	Completed	Advisory Report
18	GDPR compliance testing	Requested by Business. To be completed after self-assessments have been piloted and rolled out by the Data Protection team.	Ongoing	Advice and guidance to date as roll out delayed
19	HR Policy Compliance- Economic Services	To obtain assurance regarding line manager application of policies and procedures to determine the extent to which legislation and	Completed	Reasonable
20	HR Policy Compliance- Transport Services		Completed	Limited
21	HR Policy Compliance- Corporate Services		Completed	Reasonable

22	HR Policy Compliance-Delivery	best practice is followed replacing reviews on: - Employment Law and HR processes (10 above) - Recruitment Procedures and Temporary Employment Arrangements (15 above)	Completed	Limited
23	HR Policy Compliance-Policy, Strategy and Communications		Completed	Limited
24	HR Policy Compliance Feedback	To provide feedback to HR and advice on areas where policies and processes require improvement to assist line managers in applying them and resolve any areas of confusion when these are updated.	Completed	Advisory

Third-Party Assurance

Treasury Management

Leeds City Council's Internal Audit section has completed a risk based audit of the central Treasury Management function for the period between 1st March 2019 and 28th February 2020.

This central audit concluded that the following assurance can be given for the control environment itself and the compliance with those key controls in practice.

Control Environment: **Substantial Assurance**

Compliance: **Substantial Assurance**

Detailed testing on a sample of 10 WYCA investments found no errors. A sample of loans was not tested as no loans were entered into by WYCA in the period reviewed. In addition interest payments on all fixed term loans and investments were recalculated and identified no errors. Therefore, based on the samples selected for review, Internal Audit has reached the opinion that key systems are operating soundly.

Audit Performance

Conformance with PSIAS

An external quality assessment of the Internal Audit activity was performed in April 2019. This assessment concluded that, overall Internal Audit complies with the requirements of the definition of Internal Audit, the Code of Ethics and PSIAS.

A number of actions to address any areas for improvement have formed part of the Quality Assurance and Improvement Programme (QAIP) for Internal Audit during 19/20, progress against which has been reported back to the Governance and Audit Committee.

Performance Indicators¹

Number of agreed delivery deadlines concluded within agreed timescales	- Target	80%
Actual performance		84%

Issuing Reports

Final report on audits to be issued within one calendar week of the final agreed deadline	- Target	100%
Actual performance		72%

Grant Claims

Grant claims processed within three working days of a fully completed file being received	- Target	90%
Actual performance		89%

Customer Feedback

Overall positive customer satisfaction rating	- Target	80%
Actual performance		78%

Number of customer feedback questionnaires returned	- Target	70%
Actual performance		64%

The responses received have been analysed and indicate good scores in most criteria.

¹ Internal Audit only introduced some of these indicators part way through the year, but what we have measured and/or had management information on is reported here.

The cumulative results from questionnaires completed throughout 2019/20 are:

	Question	1	2	3	4
1	Throughout the audit process I was kept informed of the work being done and issues arising	1	7	1	
2	The audit team demonstrated a good understanding of the business and associated risks (or took the time to develop such understanding during the audit process)	2	4	3	
3	Audit reports were issued in a timely way	3	6		
4	Audit reports were a fair summary of audit findings and management responses	2	5	2	
5	The audit team acted in a professional manner throughout the assignment	5	3	1	
6	Overall level of satisfaction (1 being the highest and 4 the lowest):	1	6	2	
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 reporting of audit findings and stakeholders perception of the level of auditors' understanding of some aspects of the Combined Authority's operations.

Report to: Governance and Audit Committee

Date: 30 July 2020

Subject: External audit progress report

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

Author(s): Angela Taylor/ Jon Sheard

1. Purpose of this report

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

2. Information

Annual Accounts 2019/20

- 2.1 It was reported to the May 2020 meeting that due to the recent Covid-19 outbreak, public authorities have been granted deadline extensions for the annual accounts, with final / audited accounts due by 30th November 2020. Though the deadline is understood and welcomed, the Combined Authority, with support from the external auditors Mazars, fully intended to work to the original timescales and aim to present the final audited accounts by 31st July 2020.
- 2.2 Every effort has been made to present the final accounts to today's meeting for approval and good progress has been made by the external auditor. However due to matters outside our control, some important and necessary work and external assurances have been delayed, most notably external audit assurance on the pension disclosure figures.
- 2.3 For this reason, and because it is still within the statutory deadline for 2019/20 accounts, it is proposed that the accounts and audit completion report be presented to the meeting in October 2020.
- 2.4 Mazars will be available at the meeting to provide and update on the work completed to date.

PSAA Updates

- 2.5 The following paragraphs provided a summary of a recent update from the Public Sector Audit Appointments Ltd (PSAA).
- 2.6 Members will recall that in late 2019 the Committee responded to a consultation from the Ministry of Housing, Communities and Local Government (MHCLG - Redmond Review). This consultation invited views from those with a direct or indirect interest in local authority audit and financial reporting. The latest update is that the review has been delayed slightly by the coronavirus pandemic and is now expected to report in September 2020.
- 2.7 The PSAA highlighted that Covid-19 and related “lockdown” restrictions are also raising a variety of challenges nationally for the external audit of 2019/20 accounts. Additionally, although technology enables much of the audit to be conducted remotely, restrictions on access to audited bodies and availability of relevant staff are likely to present difficulties. Though the Accounts and Audit Regulations were amended to allow more time for the preparation, audit and publication of accounts, we are pleased to report that our own audit has not been affected and as previously reported / planned our audit was completed early.
- 2.8 Auditors have also been discussing possible fee variations with audited bodies. However, as reported to the previous meeting, our fee has been set at £25,964, which was the same as the previous year.
- 2.9 The PSAA also reported that given the considerable pressures on local auditors at present, they are considering the option of undertaking a further procurement to try to bring additional audit supply capacity into the market. A final decision has yet to be taken. Any existing contracts with audit firms will not be affected by this exercise.

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 approve the recommendation to present the final audited annuals to the next meeting, which is the 29th October 2020.
- 7.2 That the Committee consider the information provided on external audit matters.

8. Background Documents

None.

9. Appendices

None

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Report to: Governance and Audit Committee

Date: 30 July 2020

Subject: **Compliance and Monitoring**

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

Author(s): Jon Sheard / Louise Porter

1. Purpose of this report

- 1.1 To consider any changes to the arrangements for internal control in the West Yorkshire Combined Authority since the last meeting of the Committee and to consider the current financial position.

2. Information

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

Internal controls

- 2.2 There have been no significant changes to internal controls in the period and monthly reconciliations are up to date.
- 2.3 Measures put in place to enable business to continue during the pandemic have been successful with committee and board meetings able to continue using virtual arrangements. Some minor changes to approvals processes have been documented and agreed to enable electronic approval of for example expense claims rather than signatures on paper.
- 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, procurement, 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. The last meeting was on 16/4/2020 and no areas of concern were raised. The high level of cash balances was considered and the challenges this presents with regard to placing funds with approved counterparties.

Key indicators

- 2.6 The Committee has requested regular information via key indicators, specifically with regard to accidents reportable to the Health and Safety Executive and with regard to key controls.
- 2.7 There have been no further reportable (RIDDOR) accidents reported since the previous meeting, leaving the total for the year at one.
- 2.8 Key indicators are monitored in relation to the suite of financial controls undertaken monthly in both the finance and the concessions and integrated ticketing team. These are both up to date as at the time of writing this report.

Financial monitoring – revenue budget

2019/20 – Final Outturn

- 2.9 A summary of the 2019/20 final revenue outturn is attached at **Appendix 1** and this was considered at the Combined Authority meeting on 25 June 2020.
- 2.10 The year had started with a deficit budget of £1.2 million, with reported forecasts during the year identifying that savings would accrue. The reforecasted budget approved in February 2020 (based on December actuals) set out an estimated £0.4 million surplus by the end of the year which meant a forecast general reserve of approximately £7 million as at the end of the financial year. It was expected that this level of general reserves would be required to help manage emerging pressures including Brexit, work on bus options following the announcement of the proposed sale of First Group's bus operations and 'cliff edge' funding for a range of projects and some of the initial costs of transitioning to a mayoral combined authority.
- 2.11 The final outturn (unaudited) for 2019/20 is a £1.3 million surplus which is an additional £0.9 million and puts the general reserves at approximately £8 million. The improved year end position is mainly attributable to the additional interest earned on short term investments due to the delays in the grant funded capital programme (£0.9 million), savings in bus operator payments (£0.2 million), savings across all supplies and services (£0.4 million) and

these offset by reduced income compared to that previously forecast (£0.5 million).

- 2.12 The COVID-19 pandemic had little financial impact on the 2019/20 revenue budget. Work on the impact in 2020/21 is covered later in the report.
- 2.13 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.

Revenue Budget 2020/21

- 2.14 A balanced budget was approved by the Combined Authority meeting on 6 February 2020. Work is underway on whether a revised revenue budget for 2020/21 is required to account for the impact of Covid-19. The current estimated impact was considered by the Budget Working Group in June 2020 and due to be considered by the Combined Authority on 27 July 2020. A verbal update will be provided at today's meeting. Additionally, the figures have been submitted to the MHCLG as we seek further financial support in addition to the contribution to bus costs secured through the Covid-19 Bus Services Support Grant (CBSSG).
- 2.15 In summary a potential impact of circa £12 million (high scenario) is currently estimated for 2020/21. The main areas expected to be impacted are:
- | | £m |
|--|-----|
| - Supported Bus Services impact | 4.9 |
| - Sales, Advertising & Investment Income | 5.2 |
| - Commercial rents | 0.9 |
| - Covid-19 Related Additional Cost | 1.0 |
- 2.16 The actual financial impact is still emerging and will be closely monitored and reported to each meeting of this Committee during the year. The impact on future financial years will also be reported here as part of the business planning and budget setting process.

2020/21 – Financial Monitoring as at June 2020

- 2.17 A summary of the 2020/21 current revenue spend to original budget as at June 2020 is attached at **Appendix 2**. A new format is presented, including a RAG rating to help identify those budget lines that are a concern. There are a number of emerging 'red' areas of concern to report. These are related to the Covid-19 pandemic as mentioned above. Key impacts are being felt across commercial income, bus station costs, commission from travel card / MCard sales, bus revenues (for gross cost contracts) and transport service costs. These forecasts have been shared with the Ministry of Housing, Communities and Local Government (MHCLG), and transport elements with Department for Transport (DfT). To date the DfT has approved some additional bus subsidy grant nationally, of which £2,079,000 has come to West Yorkshire. At present there is still no further information from MHCLG on any support payments to be made.

2.18 Regular forecasts will be undertaken during the year to assess the full impact of Covid-19 and updates brought to future meetings.

Risk management

2.19 In line with the provisions of the corporate risk management strategy, regular review of the key strategic risks affecting the organisation continues to be undertaken and the corporate risk register updated accordingly.

2.20 A summary of the headline strategic risks is included at **Appendix 3** to this report. Since the last reporting period this has been updated to reflect the key risks related to the ongoing COVID-19 pandemic. These strategic risks include the following key themes:

- Meeting corporate objectives
- Financial health of the organisation
- Impacts on unemployment across the Region
- Impacts on public transport
- Potential impact on delivery of capital programmes and release of capital funding

2.21 In addition to the strategic risks presented by the COVID-19 pandemic, the more specific operational risks are also being identified and managed by individual Directorates. The overall approach to the COVID-19 pandemic and the specific risks it causes is being managed through the Combined Authority's Gold command incident response structure.

2.22 The corporate risk register has also been updated since the last reporting period to take account of strategic risks associated with the programme of work underway to prepare for the transition to a Mayoral Combined Authority (MCA). These risks are being proactively managed by the MCA Ready Programme Board.

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 consider the information contained in this report.

8. Background Documents

None.

9. Appendices

Appendix 1 - Revenue Budget final outturn 2019/20.

Appendix 2 - Revised revenue budget monitoring as at June 2020.

Appendix 3 – Corporate risk register

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West Yorkshire Combined Authority - Summary

Title	(A) Original Budget 2019/20 £	(B) Final Outturn (Unaudited) Actual £	(B) / (A) %	Appendix 1 February Forecast 2019/20 £
<u>Expenditure</u>				
Salary & Pay Related Costs	23,574,623	21,069,025	89.4%	20,743,106
Indirect Employee Related Costs	385,450	454,320	117.9%	376,255
Premises Related Costs	6,249,646	7,008,331	112.1%	6,776,016
Travel, Transport & Subsistence Related Costs	121,662	154,881	127.3%	149,679
Member Related Costs	219,000	203,643	93.0%	152,000
Office Supplies & Services	544,573	720,657	132.3%	646,303
ICT & Telephony Costs	2,614,132	2,242,441	85.8%	2,659,937
Professional & Consultancy Fees	2,196,070	2,718,492	123.8%	3,481,442
Marketing & PR Costs	2,079,896	1,382,052	66.4%	2,528,402
Insurance	304,900	308,204	101.1%	382,900
Operator Payments (Transport)	25,601,325	26,137,686	102.1%	25,556,000
Pre Paid Ticket Cost	34,125,000	32,504,355	95.3%	34,125,000
Concessions	56,446,802	55,261,422	97.9%	55,657,492
Additional Pension Costs	2,301,600	2,185,195	94.9%	2,213,100
Financing Charges	5,465,000	3,929,585	71.9%	4,754,000
Grants	2,337,597	1,694,465	72.5%	2,427,542
Other Miscellaneous Costs	5,080,894	3,132,480	61.7%	2,414,358
Contribution to External / Related Parties	326,912	344,237	105.3%	383,199
Additional Savings Target	(1,046,619)	0	0.0%	0
Contingency	0	0	0.0%	250,000
Total Expenditure	168,928,463	161,451,471	95.6%	165,676,730
<u>Income</u>				
Rail Admin Grant	(878,000)	(878,000)	100.0%	(878,000)
LEP General Funding Income	(1,234,000)	(1,487,580)	120.5%	(1,234,000)
Growing Places Fund Interest	(300,000)	(652,789)	217.6%	(500,000)
Enterprise Zone Receipts	(1,958,320)	(2,380,629)	121.6%	(2,307,000)
Transport Levy	(93,198,000)	(93,198,000)	100.0%	(93,198,000)
Bus Service Operator Grant (BSOG)	(2,063,592)	(2,063,592)	100.0%	(2,060,000)
Education Contribution to Transport	(6,768,000)	(7,078,343)	104.6%	(6,708,000)
Bus Station Tenant Income	(1,713,725)	(1,373,931)	80.2%	(1,592,705)
Bus Station / Services - Other Income	(2,758,297)	(2,744,718)	99.5%	(3,209,657)
Admin Recharges	(2,485,223)	(2,886,482)	116.1%	(2,453,914)
Capitalisation of Revenue Costs	(7,740,378)	(6,593,352)	85.2%	(7,150,107)
Pre Paid Ticket Income	(34,125,000)	(32,504,354)	95.3%	(34,125,000)
Other Income	(12,507,279)	(8,935,203)	71.4%	(10,590,785)
Total Income	(167,729,814)	(162,776,973)	97.0%	(166,007,168)
Net Expenditure	1,198,649	(1,325,502)	-110.6%	(330,437)

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Revenue Budget 2020/21	Original Budget 2020/21	Actual as at June 2020	Utilised	Notes / Commentary	RAG Rating
	£	£	%		
Employee Costs - Control Total	25,189,079	5,732,578	22.8%	Some staffing vacancies and also pay award not yet agreed.	
Indirect Employee Costs - Control Total	1,557,372	172,483	11.1%	Spend to date - as expected due to timing of pension invoice.	
Premises Costs - Control Total	6,088,828	847,503	13.9%	Spend to date - as expected due to premises invoices paid in arrears	
Supplies and Services	5,639,649	399,273	7.1%	Spend to date - as expected due to invoices paid in arrears	
ICT Related Costs	2,594,678	927,253	35.7%	Spend to date - as expected due to certain ICT costs paid in advance	
Travel & Transport Costs	257,030	41,851	16.3%	Less staff travel due to Covid-19 and also claimed in arrears	
Tendered Services	25,466,000	7,740,944	30.4%	Spend in line with Government requirements during lockdown - though expecting additional costs due to Covid-19	
Concessionary Fares	55,157,492	13,026,987	23.6%	Spend in line with Government requirements during lockdown	
Prepaid Tickets Costs	35,800,000	1,926,794	5.4%	Mcard payment significantly reduced - Covid-19 - offset by Mcard sales	
Grants and Agency costs	612,547	208,101	34.0%	Spend as expected	
Consultancy and Professional Services	3,221,396	868,805	27.0%	Spend as expected	
Financing Charges	6,676,400	(0)	0.0%	Spend as expected - accrued at the Year End	
Total Expenditure	168,260,471	31,892,570	19.0%		
Income - Transport	(11,556,350)	(602,233)	5.2%	Covid19 - Impact on bus station & bus services income	
Income - Grants	(11,916,692)	(3,023,417)	25.4%	Grants received as expected	
Income - EZ Receipts	(2,307,000)	(5,153)	0.2%	As expected - EZ receipts received in arrears	
Income - Interest Earned	(1,386,000)	0	0.0%	Interest Earned in arrears - though expecting Covid19 impact on returns	
Income - Operational	(2,593,182)	(122,712)	4.7%	As expected - revenue project claims in arrears	
Internal Recharges / Apportionment	(10,503,247)	(2,124,411)	20.2%	Income as expected	
Pre Paid Ticket Income	(35,800,000)	(1,921,085)	5.4%	Mcard sales significantly reduced - Covid-19 - offsets payments	
Transport Levy	(92,198,000)	(20,275,831)	22.0%	Income as expected	
Total Income	(168,260,471)	(28,074,841)	16.7%		
Net Expenditure Total	(0)	3,817,729			

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Corporate risk summary

		Probability	Impact	Mitigation summary	
47 Very high X5	CRR-SD1	<p>There is a risk that we fail to fully deliver projects and programmes (i.e. Growth Deal) within timescales or budget, or with the anticipated level of benefits, due to over-optimistic profiles, capacity within District partners and recruitment and retention challenges.</p>	Possible 3	Critical 5	<ul style="list-style-type: none"> • Significant monitoring and controls in place through PMO • Continuing support through 'District Pool' project resource • Call for projects to ensure healthy pipeline of projects/ programmes • Ongoing Review of WY+TF portfolio with Chief Highways Officers
	CRR-SD2	<p>There is a risk that there are challenges and disruption to the way in which the Combined Authority provides services and the resources available to deliver those, due to uncertainty surrounding the UK's future relationship with the EU.</p>	Possible 3	Critical 5	<ul style="list-style-type: none"> • Brexit working group in place with Director representation and links to West Yorkshire Resilience Forum • Ongoing liaison with Bus Operators for reassurance on preparation for fuel or labour shortages • Communications and media campaign has increased to focus on effective signposting and support • Monitoring of legislative developments • Additional grant funding available to support local businesses • Secured additional resources, and refocussed existing ones, to support more businesses to prepare for Brexit and to gain a better understanding of impacts/opportunities on the economy. • Identifying any projects which may be vulnerable to shortages in skilled labour or supply chain disruption
	CRR-SD5	<p>There is a risk that there will be a major impact on achievement of organisational objectives and/or a need to reconsider objectives and divert resources, due to a major unanticipated change in national policy (Brexit; major change in govt policy).</p>	Possible 3	Critical 5	<ul style="list-style-type: none"> • Continued dialogue with Government • Policy and Strategy directorate continuing to monitor emerging national trends • Continued work with local LEPs and Combined Authorities
	CRR-SD6	<p>There is a risk that key corporate objectives cannot be met due to the long term impacts of the COVID-19 pandemic on the regional economy and on travel habits.</p>	Possible 3	Critical 5	<ul style="list-style-type: none"> • Research and Intelligence team modelling potential impacts and long term scenarios • Working closely with partners and representative groups to identify possible long term impacts and develop joint responses • Updating business plans to identify key areas for re-prioritisation

	CRR – FR3	There is a risk that the immediate, medium and long term financial health of the Combined Authority will be adversely affected due to the financial impacts of the COVID-19 pandemic	Possible 3	Critical 5	<ul style="list-style-type: none"> • Financial scenario undertaken and being continually updated • Continued liaison with Government to understand funding opportunities • Budget Working Group meeting to oversee response
	NEW	There is a risk that there will be a significant increase in unemployment across the region, due to the ongoing economic disruption caused by the COVID-19 crisis and the approaching end of the national Job Retention Scheme (furlough)	Likely 4	Serious 4	<ul style="list-style-type: none"> • Joint intelligence gathering on the employment impacts– including the demographic, sectoral and geographical impact • Current programmes – particularly the Employment Hub and [re]boot – have been flexed to support redundant and furloughed workers • Lobbying government for Combined Authorities to be resourced to support people into work and for a national job creation/wage subsidy scheme. • Recovery Plan in development including a focus on creating employment and self-employment opportunities.
48	NEW	There is a risk that the Combined Authority is placed under pressure to fund the reinstatement of commercial bus services threatened with withdrawal, due to premature withdrawal of emergency government funding support	Possible 3	Critical 5	<ul style="list-style-type: none"> • Continued liaison with Government on funding • Close liaison with bus companies to identify cost neutral/effective solutions • Review and adapt current mechanism to appraise social and commercial value of threatened services
	NEW	There is a risk that, Capital programmes cannot be delivered as intended, due to Government not releasing full grant allocations, following their ongoing review of programmes in light of the Covid crisis	Possible 3	Critical 5	<ul style="list-style-type: none"> • Information being provided to Government on the status of capital programmes • Ongoing liaison with Government
	NEW	There is a risk that a significant legal challenge, is made to the Devolution consultation, due to the more limited range of consultation techniques and tools that can be deployed during the Covid crisis	Possible 3	Critical 5	<ul style="list-style-type: none"> • Consultation Institute providing guidance to ensure consultation is as inclusive as possible • Direct mailshots sent to audiences where digital engagement is more challenging Comprehensive communications activities to promote the consultation in place

		Probability	Impact	Mitigation summary
CRR-DR1	There is a risk that a major contractor/supplier/recipient of Combined Authority funding encounters significant financial difficulties, or enters administration or liquidation, and are therefore unable to deliver agreed projects, due to current uncertainties within the construction industry.	Possible 3	Serious 4	<ul style="list-style-type: none"> Contractual KPIs & penalty clauses Agreed escalation routes in contracts Ability to de-scope via change requests with partner buy-in Embed security measures into as many contracts as possible e.g. bond, legal charge, priority in lending hierarchy Regular financial checks in place through Procurement & contract/loan monitoring External consultants procured to advise on future investment strategy/due diligence processes for more commercial deals
CRR-FR2	There is a risk that there is insufficient floorspace to generate projected business rates income, due to challenges in bringing forward Enterprise Zone sites within Growth Deal funding and occupier incentive timescales.	Possible 3	Serious 4	<ul style="list-style-type: none"> Progress policy gap workstreams in parallel with Delivery Progress detailed due diligence & potential funding/overage agreement negotiations Identify other potential land/property income streams for GD monies
CRR-SS1	There is a risk that a major accident or injury occurs at a Combined Authority facility, due to the high volume of people and inherent operational risks present in a bus station, transport interchange or Combined Authority facility.	Unlikely 2	Critical 5	<ul style="list-style-type: none"> Health and safety policies, procedures and processes in place Staff training Ongoing review of Health and Safety risks Working with district emergency planning units to share knowledge and develop joint plans Continued working with police on preventative measures Business Continuity and Disaster Management workshops taking place at corporate level
CRR-DR2	There is a risk that significant travel disruption arises from the implementation of major transport investment programmes, due to their intrusive nature, and a lack of effective communication or co-ordination.	Possible 3	Serious 4	<ul style="list-style-type: none"> Close working with programme sponsors on phasing out of construction Mitigating travel arrangements Creation of a 'travel demand management plan' to inform and influence travel behaviours Economic analysis taking place to further assess current situations and potential future risks
CRR-SD3	There is a risk that there is a substantial reduction or alternation of services to customers, due to the business failure, sale, or substantial change in bus/rail providers.	Possible 3	Serious 4	<ul style="list-style-type: none"> Close relationships with operators to obtain early warnings Dialogue with DFT, TFN Work commissioned and in progress to consider future bus options
CRR-SD7	There is a risk that frontline services and business as usual activities cannot be adequately provided due to staffing availability issues as a result of the Covid pandemic	Possible 3	Serious 4	<ul style="list-style-type: none"> Staffing levels being monitored and individual circumstances being regularly reviewed Additional staff trained and redeployed into frontline positions Productivity being actively monitored

	NEW	There is a risk that a cyber security malware infection could infiltrate the organisation, due to the growth of cyber crime and organisation targeting which is increasing due to covid19	Possible 3	Serious 4	<ul style="list-style-type: none"> • Systems protected through firewalls • Additional cyber security software in place • Increased training for ICT staff • Regular testing
	NEW	There is a risk that the Mayoral Order may not be prioritised for parliamentary time and the May 2021 election deadline missed, due to the significant number of other pressing matters within the parliamentary timetable (e.g. Covid19 response, Brexit) that are beyond our control.	Possible 3	Serious 4	<ul style="list-style-type: none"> • Ongoing dialogue with government • Consistent messaging to ensure importance of timelines are recognised
	NEW	There is a risk that unknown liabilities and risk may be passed to the Combined Authority, due to the transfer of the OPCC office and functions to the Combined Authority.	Possible 3	Serious 4	<ul style="list-style-type: none"> • Scoping of OPCC transfer underway to bring greater clarity, supported by an external due diligence exercise. • Transition working group established, workstreams identified and workstream leads engaging across the Combined Authority / OPCC to establish key risks / opportunities / liabilities / costs / interfaces.
50	NEW	There is a risk that the corporate processes, systems and structures needed to support the MCA will not be in place by May 2021, due to the scale of work required within challenging timescales and the need to maintain business as usual activities.	Possible 3	Serious 4	<ul style="list-style-type: none"> • Comprehensive resource mapping exercise taken place across the Corporate Services directorate, and action taken to address key pressure points • Areas identified where consultancy support can be used to relieve pressure on staff

Report to: Governance and Audit Committee

Date: 30 July 2020

Subject: **Annual Accountability Reporting**

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

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

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 Head of Internal Audit to provide an annual report to the LEP and to the Combined Authority's Governance and Audit Committee. The Head of Internal Audit has confirmed that no concerns were received under this policy during the financial year 2019-20.

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).
- 2.6 For transparency and accountability, **Appendix 1** to this report is a summary of grant applications considered by officers under delegated authority in the financial year 2019-20, and their outcome. Declarations made by members at the LEP Board or panel meetings are publicly available on the LEP or Combined Authority's website 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 summary set out in Appendix 1 to this report, relating to grant applications considered under conflict of interest arrangements in place during 2019-20.

8. Background Documents

8.1 None.

9. Appendices

Appendix 1 – summary of grant applications considered under conflict of interest arrangements during 2019-20.

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Summary of grant applications dealt with under conflict of interest arrangements, 2019/20

Funding Stream	Name of applicant (business)	Name of member	Interest declared by member	Decision-maker	Date of decision	Outcome
Business Growth Programme	Slipstream Engineering Design Ltd	Philip Wilson	Yes	Ben Still	5 April 2019	Approved
Business Growth Programme	Mansfield Pollard & Co Ltd	Joanna Robinson	Yes	Ben Still	2 August 2019	Approved

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