

## **Private and Confidential**

Mark Kirkham  
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21 March 2019

Dear Mark

Please find below the responses to the questions put to the Governance and Audit Committee in your external audit progress report tabled at the meeting of 17 January 2019.

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

- **undertaking an assessment of the risk that the financial statements may be materially misstated due to fraud or error;**
- **identifying and responding to risks of fraud in the authority, please detail any specific risks of fraud which management have identified, and classes of transactions, account balances, or disclosure for which a risk of fraud is likely to exist;**
- **communicating to employees its view on business practice and ethical behaviour; and**
- **communicating to you the processes for identifying and responding to fraud or error.**

A number of elements are in place to ensure that fraud or errors are not present in the financial systems and thereby the financial statements. Management ensure internal controls are functioning effectively through monitoring and review. The performance of key financial controls are regularly reported to the officer Regulatory and Compliance Board and the Member Governance and Audit Committee. Internal Audit perform annual audits of all the key financial systems to check if they function effectively and the results of these audits are reported to this Committee. A robust and transparent financial system with comprehensive access controls is in place, with a reconciliation of the financial system to the financial statements.

The Combined Authority has in place clear procedures for reporting any suspected frauds, including adoption of the Whistleblowing policy. Members adhere to the Code of Conduct which is taken each year to the Annual

Meeting of the Combined Authority in order to remind Members of their obligations under the code.

Declarations of interest are sought from all Members, key officers and new staff members and are available on the Combined Authority's website. All policies and processes for identifying fraud are endorsed by the Governance and Audit Committee. A governance report is provided to the Committee each quarter highlighting any key issues in relation to risk. This would include any actual or suspected fraud matters. In areas where fraud might be deemed more likely to occur particular attention is paid to the internal controls in place. This is relevant to travel centres which is the only area where large volumes of cash are handled and the finance team which handles large volumes of electronic cash.

To our knowledge there have been no identified frauds during 2018/19.

**2. How do you oversee management processes for identifying and responding to possible breaches of internal control? Are you aware of any significant breaches of internal control during 2018/19?**

A governance report is provided to the Committee each quarter highlighting any key issues in relation to internal controls. Internal control reviews form part of the Internal Audit Plan 2018/19 and internal audit report back to this Committee each quarter. Internal Audit also produce an annual report that summarises the reviews undertaken and that supports the Annual Governance Statement in the Annual Accounts.

To our knowledge there have been no significant breaches of internal controls during 2018/19.

**3. How do you gain assurance that all relevant laws and regulations have been complied with? Are you aware of any instances of significant non-compliance during 2018/19?**

The Combined Authority employs a full legal team which is headed by a qualified solicitor who attends all meetings of the Combined Authority. As part of the work of that legal team officers are specifically tasked with considering changes in legislation relating to their particular areas, such as health and safety, property, employment law and governance. This topic also forms a standing item on the agenda of the officer Regulatory and Compliance Board. Any non-compliance would be reported and would be expected to appear on the risk register - regular reviews of risk are undertaken by the Combined Authority and Governance and Audit Committee, and any significant non-compliance matters would be brought to the attention of this Committee. A number of internal audit reports during the year also consider compliance matters and areas of concern are highlighted in the report provided each time to this Committee by the Internal Audit Manager.

To our knowledge there have been no instances of non-compliance during 2018/19.

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

We are not aware of any outstanding claims against the Combined Authority that would have a significant impact on the financial statements.

The NGT/Supertram land issues relating to on-going claims are disclosed in the financial statements as is the situation with claims arising from Mutual Municipal Insurance.

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

The question of going concern is considered each year by the Combined Authority. Accounts drawn up under the Code of Practice for Local Authority Accounting assume that a local authority's services will continue to operate 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 – in the case of the Combined Authority, its revenue comes largely from its statutory levying powers. This funding comes 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.

To supplement the above, the Combined Authority approved the corporate plan and medium term financial strategy at its meeting in 14 February 2019. The budget and strategy ensure that the Combined Authority raises 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 and strategy make suitable provision to address the pension deficit and as a Combined Authority we collectively work with the West Yorkshire Pension Fund and actuary to ensure contributions are realistic and sustainable. We do not believe there are any events casting significant doubt on the Combined Authority's ability to continue as a going concern.

These responses were considered and agreed by the Governance and Audit Committee at its meeting of 21 March 2019.

Yours sincerely

**Chair, Governance and Audit Committee  
(On behalf of the Governance and Audit Committee)**