

**Report to:** Governance and Audit Committee

**Date:** 21 March 2019

**Subject:** **Compliance and Monitoring**

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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 new Regulatory and Compliance Board at officer level continues to meet and will provide information as required to this Committee and the Combined Authority. The initial 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.
- 2.5 Discussions are continuing on the proposed merger with York, North Yorkshire and East Riding LEP which would necessitate new processes and controls to be set up for a new LEP. This work will progress under the review of a joint team with representation from both LEPs.

- 2.6 These initial discussions have focussed on understanding clearly the role of the LEP and of the accountable body in agreeing policy, directing funding and approving of expenditure. The Combined Authority has already confirmed its agreement to take on the role of accountable body for a new merged LEP should that be the request of the new LEP. Whilst this would necessitate some review and changes to current processes this can be achieved without compromising the need for clear, transparent and accountable decision making. A further report will be provided to this Committee as this work develops.
- 2.7 A paper to the LEP Board on 26 March sets out some immediate changes and enhancements to current arrangements required for compliance with the revised requirements for the Local Assurance Framework and these are referenced in the separate item on this agenda. A revised conflicts of interest policy that covers the LEP and Combined Authority will also be presented to the LEP Board and then to the Combined Authority in April.

### **Treasury Management**

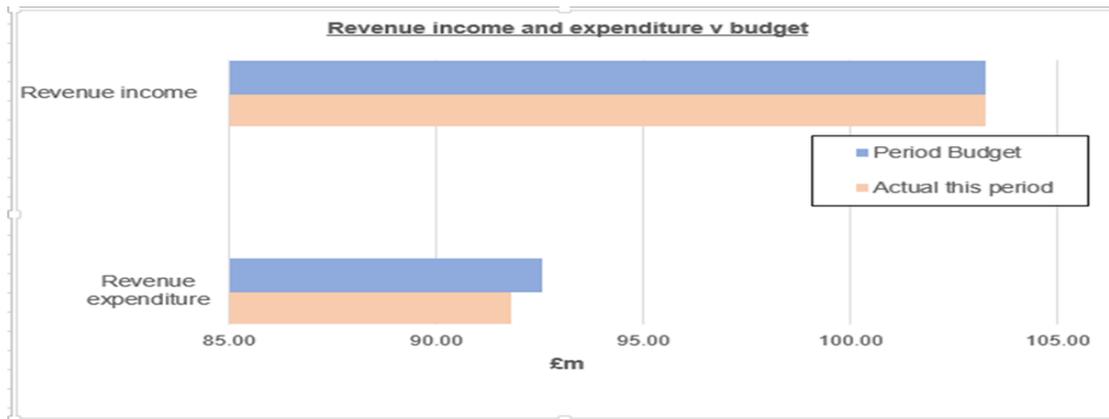
- 2.8 The regular governance meetings continue to be held with Leeds City Council to consider and review the transactions relating to investments and treasury management. At the most recent meeting in February 2019 no areas of concern were raised though the high level of cash balances were considered and the challenges this presents with regard to placing funds with approved counterparties.
- 2.9 Officers from Leeds City Council treasury team will attend a future meeting of this Committee to provide an overview of current arrangements and recent changes to the prudential requirements.

### **Key indicators**

- 2.10 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.
- 2.11 There have been no further reportable (RIDDOR) accidents reported since the previous meeting, leaving the total for the year at two.
- 2.12 Key indicators are monitored in relation to the suite of financial controls undertaken monthly in both the finance and the concessions and integrated ticketing team. These are both up to date as at the time of writing this report.

### **Financial monitoring – revenue budgets**

- 2.13 A summary of the 2018/19 current spend to budget as at December 2018 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. The graphic below summarises the position:



- 2.14 The approved annual budget included a £1.4m deficit to be funded from general reserves. The draft forecast undertaken in January 2019 (also shown on **Appendix 1**) shows that actual expenditure is being managed within this figure and the use of general reserves was forecast to be reduced to £1.0 million. These figures will continue to be reviewed for the remainder of the year.
- 2.15 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**

- 2.16 As previously reported to the Governance and Audit Committee 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.
- 2.17 The current focus of activity is on the development and roll out of a forward plan of practical activities to further embed the risk management procedures which are set out in the Corporate Risk Management Strategy. This aims to both raise awareness generally about risk management processes and to also to provide practical guidance for staff on how to undertake risk management activities on a day to day basis.
- 2.18 Work has been undertaken to develop a series of bite-sized 'one minute guides' to provide staff with user-friendly information on how risk management activities should be undertaken. These are available via the intranet and follow a similar format to the guides which were developed on data protection/GDPR, which were well received by staff.
- 2.19 The subject areas covered by the one minute guides on risk management are as follows:
- What is risk management
  - How to manage a risk

- Key concepts and definitions
- Using risk registers
- Assessing a risk
- Risk appetite
- Roles and responsibilities
- Reporting and escalation

2.20 A summary of the current corporate risk register is provided at **Appendix 2**. This is currently being updated to reflect feedback from Members of the Combined provided through their informal meeting of 14th February.

2.21 At present there are currently two risks rated as 'very high' which relate to the risk of not securing devolved funding and not delivering against capital funding programmes. There are a further 16 risks which are rated as high but of these:

- two are rated as high which while their probability is considered unlikely, they have an impact which is considered to be 'highly significant'
- seven have a probability of 'possible' but an impact which is considered as 'major'
- seven have a probability of 'possible' but an impact which is considered as 'moderate'

### **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 Budget 2018/19  
as at 31 December 2018 and forecast to 31 March 2019

Appendix 2 – Corporate risk register