



West
Yorkshire
Combined
Authority

Tracy
Brabin
Mayor of
West Yorkshire

Private and Confidential

Mousa John
Forvis Mazars
5th Floor
3 Wellington Place
Leeds, LS1 4AP

26 November 2024

Dear Mousa,

Please find below the responses to the questions put to the Governance and Audit Committee in your letter, dated 18th July 2024, relating to financial year 2022/23.

1. How does the Governance and Audit Committee oversee management's processes to identify and respond to the risk of fraud and possible breaches of internal control? In particular how the Committee oversees managements:

- **Assessment of the risk that the financial statements may be materially misstated due to fraud or error.**
- **Processes for identifying and responding to risks of fraud in the organisation. This includes any specific risks of fraud which management have identified or that have been brought to its attention, or classes of transactions, account balances, or disclosure for which a risk of fraud is likely to exist.**
- **Processes for communicating to employees the views on business practice and ethical behaviour. For example, updating, communicating, and monitoring against the Authority's code of conduct; and**
- **Processes for communicating to those charged with governance the arrangements for identifying and responding to fraud or error.**

Response:

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 (now named the Corporate Centre Management Board) and the Member Governance and Audit Committee. Internal Audit perform reviews of key financial systems as per the internal audit plan to check if they are set up effectively and undertake further work on a risk basis as necessary. 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 the Whistleblowing policy which is fully adopted by both the Combined Authority and LEP (now integrated into the Combined Authority). An Anti-Fraud policy and Anti-Money Laundering policy are also in use across the Combined Authority and LEP; any allegations and outcomes of investigations are reported to the Regulatory and Compliance Board and to the Governance and Audit Committee. 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. Deep dive sessions are held periodically at the Governance and Audit Committee where Internal and External Audit as well as senior management within the Combined Authority present updates and mitigation actions taken in response to the adequate management of risk and control activities.

The Combined Authority actively participates in the National Fraud Initiative exercise, with any key findings reported to both the officer Regulatory and Compliance Board and the Governance and Audit Committee.

The Combined Authority has a robust risk management process, with risk considered and risk registers maintained at all levels throughout the organisation. The Combined Authority (and sub committees) regularly review current and emerging risks and this process would pick up any related to potential fraudulent activity and controls required to mitigate such risks.

2. Has the Governance and Audit Committee knowledge of any actual, suspected or alleged fraud during the period 1st April 2022 to 31st March 2023?

Response:

Internal Audit received six fraud referrals in 2022-23 of which four were investigated within that year. Three related to grant funding and while any losses were not material, improvements were made to controls as a result of investigations, one case relating to non compliance with CSOs was carried forward to 23-24. The other two referrals were attempted banking/card frauds which controls within the bank detected and no losses were incurred.

3. Has the Governance and Audit Committee identified any specific fraud risks within the organisation? For example, does it have any concerns that specific areas within the organisation are at greater risk of fraud?

Response:

No.

4. Is the Governance and Audit Committee aware of any significant breaches of internal control during 2022/23?

And

5. Is the Governance and Audit Committee satisfied that internal controls, including segregation of duties, exist and work effectively? If 'yes', please provide details of these controls. If not:

- **Where are the risk areas?**
- **What other controls are in place to prevent, deter or detect fraud?**

Response:

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 2022/23 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.

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. Controls in these areas are monitored and any reviews of these undertaken by internal audit are reported back to the Governance and Audit Committee.

To our knowledge there have been no significant breaches of internal controls during 2022/23.

6. Is the Governance and Audit Committee aware of any related party relationships or transactions that could give rise to instances of fraud?

And

7. How does the Governance and Audit Committee mitigate the fraud risks associated with related party relationships and transactions?

Response

Declarations of interest are sought from all Members, key officers and new staff members and are available on the Combined Authority's website. Also, our Board / Committee meeting agendas require 'interests' to be declared on any agenda items.

In addition, since 2019/20, a more robust specific process has been introduced that captures the declarations required for related party disclosures. Reliance / assurance is also placed on both the internal audit and the external audit work undertaken during the year.

Contracts Standing Orders require that all relationships of a business or private nature with external contractors, or potential contractors, must be made known to the appropriate manager in accordance with the Officers' Code of Conduct.

To our knowledge there have been no risks associated with related party relationships during 2022/23.

8. Is the Governance and Audit Committee aware of any entries made in the accounting records of the organisation that it believes or suspects are false or intentionally misleading? In particular:

- **Are there particular balances where fraud is more likely to occur?**
- **Is the Governance and Audit Committee aware of any assets, liabilities, or transactions that it believes were improperly included or omitted from the accounts of the organisation?**
- **Are there any external fraud risk factors which create a high risk of fraud?**

Response

To our knowledge there have been no such entries to the accounting records during 2022/23.

9. Is the Governance and Audit Committee aware of any organisational, or management pressure to meet financial or operating targets?

And

10. Is the Governance and Audit Committee aware of any inappropriate organisational or management pressure being applied, or incentives offered, to employees to meet financial or operating targets?

Response

To our knowledge there has not been any inappropriate organisational or management pressure regarding targets during 2022/23. However, the Combined Authority does ensure 'stretching' targets, financial or otherwise are in place and management are held to account to achieve these.

11. How does the Governance and Audit Committee gain assurance that all relevant laws and regulations have been complied with. In particular:



- **Is the Committee aware of the process management has in place for identifying and responding to changes in laws and regulations? Please provide details.**
- **What arrangements are in place for the Committee to oversee this process?**
- **Is the Committee aware of the arrangements management have in place, for communicating with employees, Members and stakeholders regarding the relevant laws and regulations that need to be followed?**

And

12. Does the Committee have knowledge of actual or suspected instances where appropriate laws and regulations have not been complied with? If it is, what actions are management taking to address non-compliance?

Response:

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. A number of internal audit reports during the year also consider compliance matters.

To our knowledge there have been no instances of non-compliance during 2022/23.

13. Is the Governance and Audit Committee aware of any actual or potential litigation and claims involving the Authority that would impact on the financial statements?

Response:

We are not aware of any outstanding claims against the Combined Authority that would have a significant impact on the financial statements as at 31 March 2023.

14. How has the Governance and Audit Committee assessed and satisfied itself that it is appropriate to adopt the going concern basis in preparing the financial statements?

And

15. Has the Governance and Audit Committee identified any events or conditions since the assessment was undertaken which may cast significant doubt on the organisation's ability to continue as a going concern?

Response:

The concept of a going concern assumes that an authority, its functions and services will continue in operational existence for the foreseeable future. Where this is not the case, particular care will be needed in the valuation of assets, as inventories and property, plant and equipment may not be realisable at their book values and provisions may be needed for closure costs or redundancies. An inability to apply the going concern concept can have a fundamental impact on the financial statements.

Accounts drawn up under the Code 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 (with limits on their revenue-raising powers arising only at the discretion of central government). If an authority were in financial difficulty, the prospects are thus that alternative arrangements might be made by central government either for the continuation of the services it provides or for assistance with the recovery of a deficit over more than one financial year. A Combined Authority relies on funding from its constituent members, all of which are local authorities with revenue raising powers, and it is able to levy on them the funding it requires to deliver its services.

The medium term finance strategy / budget approved by the Combined Authority in February 2024 set out the proposed funding of the Combined Authority and formally approved the budget for the current year 2024/25. The budget and strategy ensure that the Combined Authority raises the level of transport 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 an Authority we collectively work with the West Yorkshire Pension Fund and actuary to ensure contributions are realistic and sustainable. Additionally, a 3 year indicative capital programme complete with capital funding/finance was agreed as part of this process.

For further information, the officer Senior Leadership Team receive and sign off a report each year, that details both the accounting policies and processes to be adopted during the year.

16. What controls are in place to: identify, authorise, approve, account for, and disclose related party transactions and relationships?

And

17. Confirmation that the Governance and Audit Committee have:

- **disclosed to the auditor the identity of the entity's related parties and all the related party relationships and transactions of which they are aware; and**



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- **appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the framework.**

Response

Members of the Authority - the Mayor and members of the West Yorkshire local Councils - have direct control over the Combined Authority's financial and operating policies.

The Combined Authority requires Members to complete a declaration of members' disclosable pecuniary interests, and a financial year end related party transaction declaration covering their close family. Information of both declarations are used to prepare the relevant notes to the Statement of Accounts.

Yours sincerely

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