
Report to: Governance and Audit Committee

Date: 28 November 2017

Subject: Internal controls and financial monitoring

1 Purpose

- 1.1 To provide the Committee with information on the operation of, and changes to, internal controls since the last meeting of the Committee.
- 1.2 To provide information on the current financial position.

2 Information

- 2.1 This paper is provided to each meeting of the Governance and Audit Committee to provide information and assurance on governance issues.

Internal control environment

- 2.2 Key controls within the Finance and the Concessions and Integrated Ticketing teams are monitored monthly given the significant flow of money through these teams. Controls are confirmed to be operating correctly and monthly reconciliations are up to date.
- 2.3 Regular review of the investments and treasury management arrangements continue, with quarterly meetings held with Leeds City Council who carry out many of the day to day operations under a Service Level Agreement. Prudential indicators remain within tolerance other than the indicator relating to proportion of fixed term debt. Due to high cash balances and low short term borrowing this indicator remains out of tolerance but the reasons for this are understood and no corrective action is required.
- 2.4 The Committee has requested to be kept informed of any reportable accidents to the Health and Safety Executive (RIDDORs). There have been none in the period 1 January to 31 October 2017.
- 2.5 HMRC has undertaken an inspection of VAT processes and accounting and has found nothing untoward to report.
- 2.6 No frauds, alleged frauds or breaches of internal control have been reported since the last meeting of this Committee.

Financial monitoring

- 2.7 The annual accounts for 2016/17 were approved by this Committee at its last meeting. The closing position for the year was a lower than forecast use of reserves (£2.7m against a budgeted £4.1m) which leaves opening reserves at 1 April 2017 at just over £7m.
- 2.8 Work has now commenced on business and budget planning for 2018/19. There are significant challenges in closing the funding gap in 2018/19, due to a number of pressures, including scale and timing of Enterprise Zone receipts, inflation on bus tendered services, ongoing use of reserves and pension changes.
- 2.9 A report setting out the planning process was considered by WYCA at its meeting on 6 October and further work will continue over the autumn to enable a balanced budget to be set at the meeting of 1 February 2018.
- 2.10 Forecast expenditure for 2017/18 is slightly higher than the budget set in February and relies, as agreed, on a use of reserves and a number of savings and efficiencies to be achieved. Good progress is being made on the latter with savings identified both in bus tendered services and passenger services more generally. However there continues to be pressure on the bus tendered services budget as inflation continues to climb (bus contracts are subject to annual RPI increases) and an increase in the base following higher than expected costs in 2016/17. As work on the detailed budget progresses it is expected that the expenditure for 2017/18 will be brought in line with the original budget.
- 2.11 Progress on capital budgets is being monitored through the Investment Committee which receives regular reports on expenditure forecasts. Recent reports show expenditure to be on course to achieve targets.

3 Financial Implications

- 3.1 As set out in the report.

4 Legal Implications

- 4.1 None arising directly from this report.

5 Staffing Implications

- 5.1 None arising directly from this report.

6 External Consultees

- 6.1 None.

7 Recommendations

7.1 That the Committee note the report.

8 Background Documents

8.1 None