

**Report to:** Governance and Audit Committee

**Date:** 1 November 2018

**Subject:** **Internal Controls and Financial Monitoring**

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**Director(s):** Angela Taylor, Director, Resources

**Author(s):** Jonathan Sheard

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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**

- 2.2 There have been no significant changes to internal controls in the period and monthly reconciliations are up to date.
- 2.3 Further to the information provided to the Combined Authority meeting of 2 August progress has been made in enhancing the internal governance arrangements in place for risk management and compliance with decision making. This is in line with the proposals outlined at the last Committee meeting which showed a new Regulatory and Compliance Board at officer level that will start to meet later in November and which will provide information as required to this Committee and the Combined Authority.
- 2.4 Changes are planned to the governance arrangements in place for the LEP following the publication of 'Strengthening Local Enterprise Partnerships' by the Ministry of Housing, Communities and Local Government in July. A paper to the LEP Board on 22 November will set out the changes required to the current LEP by April 2019 with regard to the appointment process for the

Chair and Deputy Chair and changes needed for 2020 to the LEP Board representation and its constitution.

- 2.5 Regular governance meetings continue to be held with Leeds City Council to consider and review the transactions relating to investments and treasury management being carried out jointly with Leeds City Council. At the most recent meeting in August the high level of cash balances was considered and the challenges this presents with regard to placing funds with approved counterparties. The need to make changes to the treasury management arrangements in place was also discussed and full proposals on this will be brought to the next meeting of this Committee. The changes arise as a result of the revised CIPFA Code of Practice on Treasury Management and subsequent guidance issued by MHCLG which require the new Code to be implemented for the 2019/20 financial year.

### **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 two.
- 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 budgets**

- 2.9 A summary of the 2018/19 current spend to budget as at August 2018 is attached at **Appendix 1**. A RAG rating has been included to identify budgets that need further review. There are no 'red' areas of concern to report.
- 2.10 The approved annual budget included a £1.4m deficit to be funded from general reserves. Latest draft forecasts suggest that actual expenditure is being managed within this figure and the use of general reserves is forecast to be reduced to £1.2 million, with the increased saving arising as a result of temporary staffing savings. The variances are still being reviewed as part of the work to establish an updated forecast for the year and 2019/20 draft budget.
- 2.11 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**

- 2.12 An update on risk management arrangements, including progress with the implementation of GDPR is covered under agenda item 12.

**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 2018/19 as at 31 August 2018