

WEST YORKSHIRE PASSENGER TRANSPORT AUTHORITY

AUDIT AND GOVERNANCE COMMITTEE

DATE: 2 MARCH 2007

AGENDA ITEM NO: **7**

SUBJECT: STATEMENT OF INTERNAL CONTROL

Report of the Clerk and Chief Financial Officer

1. MATTER FOR CONSIDERATION

- 1.1. Changes to the arrangements for internal control in the Authority since the last meeting of the committee.

2. INFORMATION

Background (App A – The SIC)

- 2.1. The arrangements for internal control within the Authority are continuously changing and being updated. It is good practice, and a requirement of the regulations, that Members continuously monitor the arrangements and satisfy themselves that those arrangements are both sufficiently robust and are operating satisfactorily. As a basis for their consideration the latest published version of the 'Statement of Internal Control' as it appears in the 2005/06 accounts is attached as Appendix A.
- 2.2. There have been a number of events/changes which have occurred in the last quarter. These are dealt with individually below but Members are also asked if they wish to discuss any other aspects of the arrangements, if they wish any aspects of the arrangements to be reviewed by officers before the next meeting of the committee or if they wish any reports to be prepared in relation to the operation of the internal controls.

Terms of reference for the Committee

- 2.3. The terms of reference of all Committees are approved in June each year at the authority's annual meeting. The current version for this committee is attached as Appendix B 1.
- 2.4. As part of the review of governance procedures for the Authority it is suggested that 'good practice' is for the authority to regularly monitor its capital and revenue budgets. At present this is done through a variety of ways:

- 2.4.1. The Board of the Executive, who are responsible for the detailed expenditure, receives a monthly report on both capital and revenue.
- 2.4.2. This report is summarised and combined with the Authority's expenditure and is then submitted to the Chairman monthly.
- 2.4.3. The Authority itself receives reports on the 3 year financial strategy in December, on the budget and expenditure to date in February and on the final outturn in June each year.
- 2.4.4. In addition update reports on spending are taken to working groups during the year as appropriate.
- 2.5. In future the Members of this committee may wish, in the light of the monitoring requirements of the Statement of Internal Control, to require a regular monitoring report to be brought to each meeting of this committee. It is suggested that such a report could be at a summarised level for both capital and revenue expenditure as incurred by both the Authority and Executive.
- 2.6. However, if Members wish to implement such a monitoring arrangement it would be necessary to amend the committee's terms of reference. Appendix B therefore sets out the current terms of reference and includes an additional highlighted element to cover this which it is suggested be submitted to the Annual Meeting in June for approval.
- 2.7. In advance of any change in the terms of reference at the June meeting copies of the proposed Revenue and Capital statements are attached to this report as Appendices B2 and B3. These show the latest financial position of the Authority and Executive combined together with a brief commentary. Members are asked to note that expenditure is within that reported to the February (Budget) meeting of the Authority.

The Authority's Standards Committee

- 2.8. The Standards Committee is charged with ensuring the standards of conduct of Members and Officers is maintained. In doing so its agenda later this month will encompass the following: Protocols for Member/Officer relationships and for the Monitoring Officer, as included on this agenda, a review of the Members Allowance Scheme and of the registers held for Members Gifts and Hospitality and the Register of Members Interests.
- 2.9. It should be noted that there is currently a government consultation document on the Members Code of Conduct. Once the consultation period has ended and new regulations issued the Standards Committee will be asked to draw up a new code of conduct for Members of the Authority.

- 2.10. The Government announced they would be setting up a national code of conduct for local authority officers following the 2000 Local Government Act. That code has been the subject of national consultation for several years. Although a new code of conduct was agreed for the Authority and Executive officers earlier this year the national code has still not been published.

Comprehensive Performance Assessment

- 2.11. This Authority is not subject to the regulations which require a formal comprehensive performance assessment. However, last year it was considered appropriate to see how the organisation compared to the requirements which are imposed on local authorities. The external auditor therefore undertook such a review as a 'desk top' exercise at the authority's request.
- 2.12. There are 4 possible levels of achievement ranging from level 1 'below minimum requirements - inadequate performance' to level 4 'well above minimum requirements - performing strongly'. In the case of the Authority and Executive the results of the exercise showed that the joint organisations were operating satisfactorily at level 3 ie. 'consistently above minimum requirements - performing well'. The main shortcomings related to the lack of an Audit Committee and separate risk reporting. It is thought that all of these matters have now been addressed.
- 2.13. Of the 150 authorities listed on the Audit Commission website only 15 appear to have achieved a rating of 4 in 2006. In West Yorkshire two of the Districts are rated two and three are rated three.
- 2.14. The methodology has now changed slightly, in particular in relation to the key lines of enquiry for the use of resources. Therefore, in order to be satisfied that the organisation continues to be fit for purpose the auditor is being asked to repeat the exercise for this year. The results will be reported to this committee at the appropriate time.

Security of Wellington House

- 2.15. For some time now there has been a desire to improve security access arrangements to Wellington House's Reception. Over the years the building has been the target of opportunist thieves who have entered the building by either using the disabled entry staircase or by entering with a group of genuine visitors.
- 2.16. Even though Wellington House has 24 hour CCTV coverage and there are vigilant staff on Reception, there have been a number of occasions when intruders have slipped through the net and have managed to enter office areas either by lift or by using the staircase. In a small number of cases, purses, money and other personal belongings have been taken from offices. There is also now a very real threat of terrorism in large cities centres, particularly public buildings.

- 2.17. During the refurbishment in 2000, the Reception area was changed to make the desk area much larger and the whole of the area more customer friendly. However, the only drawback has been that in order to facilitate this, the Receptionists now have their backs to the main entrance to the building which is not an ideal situation.
- 2.18. In order to overcome these problems, it is proposed to install an access control system at the top of the stairs leading from the main entrance. It is proposed to place a barrier approximately ten feet from the top of the stairs and near to the doors leading into Support Services. This will provide a large area which will enable most visitor enquiries to be dealt with without the necessity to enter the secure area. Those who need to speak to a member of staff or who are attending a meeting in the building will be allowed access by the receptionist.
- 2.19. With regard to the right hand disabled staircase, it is proposed to install a five foot glass panel at the top of the stairs which can be opened and closed only by the receptionist thus preventing intruders entering the building. This will still provide disabled access when required. A similar controlled access system has been installed at Leeds City Council which has proved to be highly effective.
- 2.20. Staff and Members will be issued with a new pass which will allow access through the barrier. Staff passes will also linked to the electronic management system, which can be used for identifying who is in the building. Additionally the new system will facilitate a one point of entry/exit clocking in system. Time recording will be more effectively monitored at this location. It is also essential that it is linked to the fire alarm system.
- 2.21. External security advice has been sought and 3 quotes obtained from companies with expertise in this particular field. The total cost is expected to be about £30k and will be funded from within the Executive's approved budget.

Risk Matters (App C)

- 2.22. The Risk Register (Appendix C) for the Authority is reviewed bi-monthly by officers jointly with the Executive's Risk register. The main change in the level of risks is actually for the Executive and results from the announcement of the result of the appeal by First Group on concessionary fares reimbursement. The results and consequent action(s) has been dealt with at the Concessionary Fares Working Group and full Authority level. The Executive has been given clear policy guidelines for achieving a balance budget. That significant risk is therefore ongoing but is being specifically addressed.
- 2.23. It is not considered sufficient to be simply aware of the risks affecting the Authority and Executive. Thus not only do Officers prepare reports for members at appropriate times but they also regularly monitor the

actions which could have an effect on the conduct of the Authority's business.

2.24. The Executive's Audit Committee receives quarterly schedules of financially related actions. At their last meeting the committee received a schedule indicating that all such actions were up to date. In addition the Chief Financial Officer holds a quarterly Governance meeting. At the last meeting of that Group certifications were received from Leeds City Council concerning the accuracy of the transactions relating to investments and borrowing and officers reported that bank reconciliations and accounting postings were up to date.

3. FINANCIAL AND LEGAL IMPLICATIONS

3.1. None directly arising from this report.

4. STAFFING IMPLICATIONS

4.1. None directly arising from this report.

5. EQUAL OPPORTUNITY IMPLICATIONS

5.1. None directly arising from this report.

6. RECOMMENDATIONS

6.1. That the report be noted and

6.2. That the revised terms of reference be submitted to the Authority's next Annual meeting.

**Clerk and Chief Financial Officer
West Yorkshire Passenger Transport Authority**

APPENDIX B1

Terms of Reference – approved 23 June 2006 (as amended)

AUDIT AND GOVERNANCE COMMITTEE

To receive reports on matters relating to Corporate Governance and policy issues relating to PTA powers and responsibilities including:

To deal with the Authority's arrangements relating to accounts including:

- **Receive monitoring reports on capital and revenue expenditure**
- approval of the annual statement of accounts
- approval of the Statement on Internal Control

To consider the arrangements relating to external audit including:

- agreement and review of the audit plan
- receipt of all external audit reports
- responding to the auditors as required

To review the adequacy of the Authority's corporate governance arrangements (eg internal control and risk management)

To review the adequacy of policies and practices to ensure compliance with statutory and other guidance

To monitor and provide consideration for and a response, as appropriate, to any external proposed policy or legislative changes which might affect the powers and responsibilities of the Authority or Executive.

To consider arrangements relating to internal audit including receiving the annual internal audit plan, end of year report and monitoring the performance of internal audit.

To report as necessary on these matters to the Authority.