Annual Audit Letter

West Yorkshire Passenger Transport Authority

Audit 2007-2008

November 2008

Contents

Summary

Key messages

1 On 24 September 2008 I gave:

- an unqualified opinion on your 2007/08 accounts; and
- an unqualified value for money conclusion.

2 You, along with the PTE, have evolved a range of procedures to secure value for money in the use of your resources. The effectiveness and understanding of these arrangements could be further enhanced if you were to be more explicit about what you mean by value for money and how you will achieve and measure it.

3 Your medium term financial strategy has been effective in controlling costs and addressing major financial uncertainties such as concessionary fares. It could be enhanced, particularly at a time of increasing financial uncertainty, by linking it more clearly to key objectives.

4 You are facing some big challenges and opportunities including potential changes to the structures and powers of PTEs and PTAs and the increasing relevance of public transport to the efforts of Councils in West Yorkshire to improve outcomes for local people. You will need to ensure that your governance arrangements remain effective.

Recommendations

5 We have noted the following to improve your arrangements further:

Recommendation	
R1	Clearly link your medium term financial strategy to your key objectives and the longer term financial uncertainty.
R2	Develop, with the PTE, a clear and measurable business objective to improve value for money further.

Purpose, responsibilities and scope

6 This Annual Audit Letter (letter) summarises the key issues arising from our work carried out during the year. I have addressed this letter to members as it is the responsibility of the PTA to ensure that arrangements are in place for the conduct of its business and that it safeguards and properly accounts for public money. I have made recommendations to assist the PTA in meeting its responsibilities.

7 The letter also communicates the significant issues to key external stakeholders, including members of the public. I will publish this letter on the Audit Commission website at www.audit-commission.gov.uk.

8 I have prepared this letter as required by the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission. This is available from www.audit-commission.gov.uk.

9 As your appointed auditor, I am responsible for planning and carrying out an audit that meets the requirements of the Audit Commission's Code of Audit Practice (the Code). Under the Code, I review and report on:

- the PTA's accounts; and
- whether the PTA has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

10 This letter summarises the significant issues arising from both these areas of work and highlights the key recommendations that I consider the PTA should be addressing. I have listed the reports issued to the PTA relating to the 2007/08 audit at the end of this letter.

Audit of the accounts

11 As your appointed auditor, I issued an unqualified opinion on the PTA's accounts on 24 September 2008. Before giving my opinion I reported to the Audit and Governance Committee on the issues arising from the 2007/08 audit.

12 The financial statements submitted for audit were provided in accordance with our timescale. One material amendment was made to the pension deficit and reserve balances in the group accounts to reflect revised actuarial figures that the PTA received after preparing the draft accounts. A number of non-material amendments were also made. The amendments do not affect the overall financial position of the Authority.

Whole of Government accounts

13 Central government embarked on a programme leading to the preparation of consolidated accounts for the 'whole of government', including local government. The Council is required to submit a 'consolidation pack' to Communities and Local Government and I am required, as your auditor, to undertake a range of procedures and report on the pack. I reported that your 'consolidation pack' was consistent with your accounts and there were no matters arising.

Use of resources

VFM Conclusion

14 As your appointed auditor, I am required to conclude on whether I am satisfied the PTA has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money conclusion. I concluded that the PTA did have proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources. All 12 criteria were met.

15 In line with our 2007/08 audit plan, our work this year focused in more detail on the performance aspects of the VFM Conclusion, notably your arrangements for

- setting, reviewing and implementing strategic and operational objectives;
- communicating with service users and other stakeholders including partners;
- monitoring and scrutiny of performance; and
- monitoring the quality of published performance information.

16 This work was a joint piece of work covering both the PTA and PTE and I have included the combined findings for completeness.

17 In last year's letter I made a number of recommendations to improve your arrangements which you are addressing. There have also been a number of other improvements both within the PTA and PTE, including:

- implementing a new performance management system (Covalent), enabling more effective monitoring of progress against objectives and recording of action taken to address variances from strategic objectives (PTE);
- updating the PTE's consultation and communication strategy;
- developing a diversity strategy and action plan and improved engagement with hard to reach groups; and
- completing the data quality strategy.

18 Along with the PTE, you are continually seeking to improve your arrangements and both the increasing relevance of public transport and future changes in transport governance arrangements in West Yorkshire provide you with the opportunity to enhance your arrangements further. These could include:

- strengthening the links between your own public transport objectives and those of the five West Yorkshire Councils to enable improved outcomes for the local population; and
- reviewing your objectives and targets to ensure that they remain SMART (specific, measurable, achievable, relevant and timebound).

19 In last year's letter I commented that the bus partnership was not on course to meet its target of increasing bus patronage by 5 per cent by 2010/11 and I made a number of recommendations for the PTE, to be monitored by the PTA. Bus usage fell from 196.9 million passenger journeys in 2006/07 to 192.6 Million in 2007/08 against a target of 201 million. We will follow up progress in addressing our recommendations early in 2009.

Specific risk-based work

20 We also carried out specific pieces of work as follows, as per our 2007/08 audit plan. Again, this work was a joint piece of work covering both the PTA and PTE and I have included the combined findings for completeness.

- medium term financial strategy; and
- more detailed work on your arrangements for securing value for money.

Medium term financial strategy

21 We identified medium term financial strategy and financial health/standing as a potential risk in our 2007/08 and 2008/09 audit plans given the uncertainty around the impact of an appeal by a bus operator on the concessionary fares scheme and the national expansion of the scheme. This summer the PTE successfully negotiated a three year deal with bus operators for the concessionary fares scheme which reduces the risk for this period and stabilises the PTA's financial position.

22 You are currently working on your medium term financial strategy for 2009/10 to 2011/12 as part of the budget setting process for 2009/10. Current indications are that the PTA will have sufficient reserves until 2010/11 but these are looking uncertain after this when the three year concessionary fares deal expires. The PTA and PTE are undertaking a risk assessment to determine an appropriate level of reserves. This should include an analysis of the various financial scenarios once the three year deal expires and to identify new risks and opportunities arising from the changes in the wider economic climate. This should be kept under close review and action taken as appropriate.

23 We used an approach developed by the Audit Commission to assess your medium term financial strategy against aspects of good practice identified in the Use of Resources criteria applied at local authorities and 'world class financial management'. A separate report has been issued to management with the detailed findings, which I have summarised below.

24 Our review found that you have the following elements in place:

- a three year medium term financial strategy;
- a good record of keeping spending with budget;
- a clear risk assessment of financial issues notably concessionary fares covering a range of scenarios; and
- you have made progress in the financial management of assets with a new asset management strategy.

25 Areas identified for improvement include:

- mapping the MTFS more clearly to longer term strategic and corporate objectives and performance plans. The PTE has recently started this by developing a three year corporate plan;
- measuring the financial outcomes of medium term strategic decisions; and
- integrating the MTFS with ongoing budget monitoring.

Arrangements for value for money

26 In your recent finance reports you identify that you may have to make further efficiency savings to balance your medium term financial strategy. Efficiency savings can be achieved through having sound arrangements for ensuring VFM.

27 As identified in our 2007/08 audit plan, we have undertaken a more detailed review of your arrangements for securing value for money, criteria seven in the VFM Conclusion. Our work identified a number of arrangements in place to secure value for money and found some scope for improvements. A separate report has been issued to management with the detailed findings, which I have summarised below.

28 Your arrangements for satisfying yourselves that along with the PTE you are providing and receiving value for money are built around components of the quality framework and include:

- effective procurement policy;
- review and improvement of internal processes and services;
- seeking and obtaining external funding;
- some understanding of how local services compare to those elsewhere; and
- a wide range of initiatives to improve outcomes and improve efficiency and effectiveness.

29 Our review found that with the PTE you have many initiatives in place to secure value for money in the use of your resources. We have provided a separate report with a small number of suggestions as to how to improve your arrangements further. These could include:

- developing a clear and measurable business objective to improve value for money further including setting specific VFM targets that are a mixture of quantitative outputs and qualitative outcomes; and
- exploring the use of further benchmarking of costs and quality to identify where further VFM gains might be made.

The future

30 I have noted below a significant development at the PTA. I have already referred to this in my 2008/09 audit plan and will be monitoring progress and updating my risk assessment during the year.

Transport governance

31 You are currently taking the lead on the review of transport governance arrangements across West Yorkshire and the wider City Region in response to the proposed increase in transport powers to PTAs arising from the draft transport bill. The consultants engaged to consult with all parties on this have developed a set of options for future governance arrangements which are currently under discussion.

Closing remarks

32 I have discussed and agreed this letter with the Clerk and Chief Financial Officer. I will present this letter at the Audit and Governance Committee on 16 December 2008 and will provide copies to all PTA members.

33 Further detailed findings, conclusions and recommendations on the areas covered by our audit are included in the reports issued to the PTA during the year.

Table 1 Reports issued

Report	Date of issue
Audit plan	May 2007
Medium Term Financial Planning	May 2008
Report to those charged with governance	September 2008
Opinion on financial statements	September 2008
Value for money conclusion	September 2008
Value for money Conclusion findings	September 2008 (draft)
Final accounts memorandum	November 2008 (draft)
Annual audit letter	November 2008

34 The PTA has taken a positive and constructive approach to our audit. I wish to thank the PTA's staff for their cooperation during the audit.

Paul Lundy

District Auditor
November 2008

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