

**WEST YORKSHIRE PASSENGER TRANSPORT AUTHORITY**

**AT A MEETING OF THE AUDIT AND GOVERNANCE COMMITTEE  
HELD IN WELLINGTON HOUSE ON  
WEDNESDAY 24 SEPTEMBER 2008**

**PRESENT:** Councillor A Pinnock (Chair)

Councillors D Congreve, C Greaves and M Walker

In Attendance: P Lundy and J Talbot - District Audit

**12. APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillors J Jarosz and M Lyons.

**13. DECLARATIONS OF INTEREST**

Councillor Greaves declared a personal interest in Agenda Item No 5 Final Accounts of the Authority and Executive for 2007/08 as he was a member of the West Yorkshire Pension fund.

**14. MINUTES**

**RESOLVED** - That the minutes of the meeting held on 30 June 2008 be approved.

**15. FINAL ACCOUNTS 2007/2008**

The Committee considered a report of the Clerk and Chief Financial Officer on the final accounts for 2007/08 together with the comments received from the Auditors in their Annual Governance report.

Members were informed that the Annual Governance Report now included not only comments on the accounts, but also a statement on the findings on governance issues with the value for money conclusion. In this respect, the Committee were asked to consider the document, which was a legal requirement, prior to approving the final accounts. A letter of representation was also attached to the report, which the Authority was obliged to provide to the auditors.

It was reported that the Annual Governance report included a clean audit opinion on both the financial statements and on the value for money conclusion.

The Committee were advised that the Auditor had raised the following matters which required consideration:-

### **Completeness of income of prepaid ticket sales by third parties**

It was reported that the Executive had appropriate measures in place, including procedures and controls to monitor and record income and was able to provide assurance that the income in the accounts was materially correct. However, it was stressed that Internal Audit would review existing procedures with a view to further enhancing these arrangements. In this respect the committee questioned if other third parties that Metro were involved with had the same robust procedures and internal control systems to prevent and detect fraud or error. They also asked whether the Passenger Transport Authority/Executive's insurance policies covered against third party risk.

### **Development of a formal Code of Corporate Governance**

With regard to a formal Code of Governance, it was reported that although it was not mandatory, many of the elements of such a code were already in place, including an Audit Committee, Risk Register and a Standards Committee. A draft Code would be prepared to reflect best practice and brought to a future meeting of the Committee.

### **Calculation of Fair Value Disclosure**

It was reported that there was currently a difference in the opinion between the Treasury Services Sector and the Audit Commission on the appropriate methodology for Fair Value disclosure of the Authority's accounts. The Audit Commission was not requesting a change in the Authority's disclosure until the issue had been resolved for 2008/09.

### **RESOLVED -**

- (a) That the Annual Governance Report be noted.
- (b) That the letter of representation be approved and recommended for signature.
- (c) That the accounts be approved and recommended for signature.
- (d) That the Audit Commission be requested to provide information relating to the time spent on the audit.
- (e) That the PTA's Chief Financial Officer be requested to prepare a report on the PTA/PTE's insurance policies and the measures in place to cover against third party risk.

## **16. INTERNAL AUDIT REPORT**

The Committee considered a report of the Internal Audit Manager on work undertaken by Internal Audit and key issues identified in respect of the following:-

- Interests, gifts and hospitality
- Petty cash
- Inventory of office equipment
- Operator farebox revenue claims

A summary of the overall audit opinion and details of any significant issues identified from those reviews were provided for members' information.

As requested by members at the previous meeting it was reported that the anticipated dates on which each individual audit assignment should be completed in the Audit Plan was attached at Appendix A and a definition of the 'levels of assurance' categories which could be adopted for Internal Audit reports were attached in Appendix B of the submitted report.

### **RESOLVED -**

- (a) That the report of the Internal Audit Manager be noted.
- (b) That details of the Audit Plan, as provided in Appendix A of the submitted report, be noted.
- (c) That audit opinion assurance categories and definitions, as provided in Appendix B of the submitted report, be considered.

## **17. INTERNAL CONTROLS AND FINANCIAL MONITORING**

The Committee considered a report of the Clerk and Chief Financial Officer on any changes to the Authority's Internal Control arrangements since the last meeting and to consider the current financial position.

### **Internal Controls**

It was reported that since the last meeting there had been no significant changes to the arrangements for Internal control within the Authority. The arrangements that had been in place during the last year were effectively being reviewed via the Annual Governance Statement.

### **Financial Monitoring**

The Committee considered the current position with regard to the Capital Programme for 2008/09 which was set out in Appendix A of the submitted report.

In response to a question raised as to how the capital programme was managed it was agreed that a report be submitted to a future meeting explaining the processes which were in place to progress and monitor projects and ways in which the committee could assess if value for money had been achieved.

### **Risk Register**

It was reported that in view of the agreement which had been reached with First regarding the reimbursement of Concessionary Fares, the risk had now been removed from the register. All other risks had an acceptable level of residual risk other than that relating to future governance arrangements which continued to require close monitoring.

### **RESOLVED -**

- (a) That the report be noted.
- (b) That a report be prepared for a future meeting explaining the processes which were in place to progress and monitor projects and ways in which the Committee could assess whether value for money had been achieved.

## **18. POLICY UPDATE**

The Committee considered a report of the Passenger Transport Executive providing information on the Local Transport Bill and its implications for local bus services, the Transport Governance Review, the Sub-National Review, Regional Spatial Strategy and the Integrated Regional Framework.

### **Transport Governance**

It was reported that the second round of engagement sessions had been completed and that the Stage III Option Assessment Report, which set out the views and feedback from all partners and stakeholders, had been distributed to all partner authorities and stakeholders across the City Region.

It was noted that this was the final engagement round and the final report had to be produced by the end of October 2008 and distributed to all partners in November 2008 for comments. It was expected that a preferred governance model(s) would be presented to the Association of West Yorkshire Authorities in November/December 2008.

Members expressed concern regarding the level of consultation at District Council level. They considered that the consultants should have sought the views of all District Council members and therefore the sample did not represent the views of all members. With regard to the composition of the ITA, members discussed the preferred models and strongly opposed and

rejected the option of a 10 member ITA. Members agreed that there would be a democratic deficit and lack of transport expertise in any structure of less than 22 members. The committee agreed with Local Transport Steering Group members that the ITA should include a lead member from each Local Authority who should act as a transport spokesperson on their District's Executive Board. It was also stressed that the ITA should be represented on the City Region Panel.

### **Sub National Review**

The Committee considered the Government's initial outcomes from the White Paper Sub National Review of Economic Development and Regeneration.

A copy of the joint response which included Local Government Yorkshire and the Humber and Yorkshire Forward was attached for members' information.

In this respect the response from the Region set out proposals for the co-ownership of the Single Integrated Regional Strategy (SIRS) process, with the establishment of a new Strategic Leaders Board. The Committee were advised that a number of Boards would be commissioned to input into the development of the SIRS and ensure effective delivery by monitoring and reviewing the SIRS.

The Committee indicated that whilst they supported the general principles of the review they were concerned at proposals that the Chair of the Transport Board would be nominated by the Yorkshire Forward Board.

Members commented that in their opinion transport was being marginalised unlike the other Boards. It was their view that, given the importance of transport to delivering economic, social and environmental objectives, all Boards should be chaired by an elected representative and not by someone who was completely unaccountable.

### **RESOLVED -**

- (a) That the report be noted.
- (b) With regard to Transport Governance, the Committee unanimously reject the member ITA proposal in the preferred model because of its democratic deficit. However, it was fully supportive of the alternative proposal for 22 ITA members with a small executive cabinet arrangement.
- (c) That the Committee supports the other elements of the preferred model and specifically the additional power vested in the ITA.
- (d) That a letter be sent to Local Government Yorkshire & Humber and to Yorkshire Forward expressing the Committee's strong view that the Transport Board be chaired by an accountable elected representative.

## **19. EXCLUSION OF THE PRESS AND PUBLIC**

The Committee considered a recommendation to exclude the press and public from Agenda Item 9, which contained exempt information as defined in paragraph 3 (information relating to the financial or business affairs of any particular person (including the authority holding that information)) of Schedule 12A to the Local Government Act 1972.

It was recommended that, because disclosure of the report would reveal details of the outcome of a commercially sensitive negotiation, the public interest would be better served by maintaining the exemption and, therefore, that the press and public should be excluded.

**RESOLVED** - That, as disclosure could prejudice future negotiations, the press and public be now excluded from Agenda Item 9.

## **20. BUDGET UPDATE**

The Committee considered a report of the Passenger Transport Executive giving an update on discussions with operators regarding concessionary reimbursement arrangements and the impact of that on the Authority's budget.

It was reported that an agreement on concessionary reimbursement had now been reached with First and discussions with the other major operators were at an advanced stage and should be concluded in the near future. The Committee were informed that the agreement would effectively fix 95% of the concessionary budget which brought a level of certainty to the budget and would remove the need to make cuts from areas such as tendered services and child concessions.

Comment was made that whilst the agreement had mitigated the risk relating to fuel and fare increases, members recognised that the situation was still very volatile particularly as initial indications had suggested a high take-up of concessionary travel which could translate to higher payments if usage continued to grow.

The Committee were informed that there could be further uncertainties at the end of the 3 year agreement and that there was a real risk that the Authority would not have sufficient funds to meet the costs of concessionary travel at the end of the agreement. Members recognised that it would be extremely unwise to utilise reserves at the present time.

Members were advised that there would be a further opportunity to reconsider these issues at the Budget Strategy meeting in December.

**RESOLVED** - That the report be noted.