

WEST YORKSHIRE PASSENGER TRANSPORT AUTHORITY

AUDIT AND GOVERNANCE COMMITTEE

DATE: 24 SEPTEMBER 2008

AGENDA ITEM NO: **6.**

SUBJECT: INTERNAL AUDIT REPORT

Report of the Internal Audit Manager

1. MATTER FOR CONSIDERATION

1.1 Purpose of Report

To inform Members of the work undertaken by the Internal Audit section.

2. INFORMATION

2.1. This report provides details of work completed by the Internal Audit section and any key issues identified.

2.2. The Accounts and Audit Regulations 2003, as amended by the 2006 Regulations, establish requirements relating to systems of internal control and the review and reporting of those systems. Accordingly, the Authority must have in place a process for establishing, maintaining and reviewing the system of internal control and risk management. The regular reporting by the Internal Audit Manager forms part of that review.

2.3. The Internal Audit section have completed the following reviews since the last report to the Authority:

- Interests, Gifts & Hospitality.
- Petty Cash.
- Inventory of Office Equipment.
- Operator Farebox Revenue Claims.

3. AUDIT RECOMMENDATIONS

3.1. A summary of the overall audit opinion and details of any significant issues identified from these reviews are provided below.

3.1.1. Interests, Gifts & Hospitality

“Adequate Assurance”

Our opinion, based on the results of interviews and tests performed, is that there is an acceptable control framework in place. Some improvements to controls were identified to enhance their effectiveness. The primary recommendation concerned arrangements for recording officers interests.

These improvements have been accepted and are now being implemented.

3.1.2. Petty Cash

“Substantial Assurance”

The overall opinion was that there is a robust control framework in place for the reimbursement of Petty Cash. All necessary controls are in place and operating effectively. Recommendations made in the report were of low risk and related to enhancements of existing controls.

3.1.3. Inventories of Office Equipment

“Adequate Assurance”

Our opinion, based on the results of interviews and tests performed, is that generally key risks are managed effectively.

As a consequence we are able to issue an adequate assurance audit opinion. There is sufficient assurance that objectives are likely to be achieved, financial loss is unlikely to occur and it is unlikely that there will be any damage to reputation in this area.

3.1.4. Operator Farebox Revenue Claims

“Adequate Assurance”

A review of Farebox Revenue claims submitted to the Executive as required for Prepaid Ticket Pool allocations and Concessionary Fares re imbursements was performed for two bus operators. These calculations were compared with records of income as stated in the companies accounting records. Audit testing revealed that no significant discrepancies were apparent.

4. OTHER WORK UNDERTAKEN

- 4.1.** In addition to the reviews completed which form part of the Annual Audit Plan, advice and comments relating to the operation of controls

relating to the introduction of a new system which will allow debit and credit card transactions to be processed for sales of School cards has been provided. Some limited testing of these systems has been performed and no significant problems were identified. It is anticipated that further audit testing will be performed on the live system as part of the planned internal audit review of Debtors processing systems scheduled to take place at the start of 2009.

- 4.2. A review of the principles of good corporate governance and guidelines issued by SOLACE/CIPFA was undertaken. This highlighted a number of areas which need consideration including the production of a code of corporate governance, and the maintenance of a checklist of key documents and policies which support the six core principles of corporate governance. An action plan is being produced for consideration.
- 4.3. Internal Audit have also updated the Fraud Response Plan and Anti-Fraud & Anti-Corruption Policy. These revised documents are now in draft format and are to be considered by the Executive prior to seeking approval from the Authority at the December meeting of the Audit & Governance Committee.

5. ISSUES ARISING FROM THE JUNE MEETING

- 5.1. Members had requested that further information concerning the anticipated dates on which each individual audit assignment should be completed be provided for the Annual Audit Plan 2008/09. These details are provided as **Appendix "A"** to this report. It should be noted that the Plan is flexible and may be changed to react to changing business risks and the necessity to provide audit assurance in these areas.
- 5.2. Members have also requested that audit report opinion categories be reviewed and clarified. The Internal Audit Manager has attached in **Appendix "B"** a definition of assurance categories which could be adopted.
- 5.3. It has been confirmed that changes to legislation in relation to the anonymity of witnesses does not impact directly on the requirements of making a protected disclosure under the Authority's Whistleblowing Policy.

6. FINANCIAL AND LEGAL IMPLICATIONS

- 6.1. None relating to the internal audit section.

7. STAFFING IMPLICATIONS

7.1. None relating to the internal audit section.

8. EQUAL OPPORTUNITY IMPLICATIONS

8.1. None relating to the internal audit section.

9. RECOMMENDATIONS

9.1. That the report of the Internal Audit Manager be noted.

9.2. That details of the Audit Plan, as provided in Appendix "A" be noted.

9.3. That audit opinion assurance categories and definitions, as provided in Appendix "B" be considered