

WEST YORKSHIRE INTEGRATED TRANSPORT AUTHORITY

AUDIT AND GOVERNANCE COMMITTEE

DATE: 16 MARCH 2010

AGENDA ITEM NO: **7**

SUBJECT: INTERNAL AUDIT REPORT

Report of the Internal Audit Manager

1. MATTER FOR CONSIDERATION

- 1.1. 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:
 - Main Accounting System
 - Payroll
 - Human Resources
 - NGT Project Management.

3. AUDIT OPINION

- 3.1. A summary of the overall audit opinion and details of any significant issues identified from these reviews are provided below. A further explanation of internal audit opinion categories is provided in **Appendix 'A'**.

3.1.1. Main Accounting System

“Substantial Assurance”

This review considered the operation of procedures and controls including the reconciliation of transactions to movements on Metro’s bank accounts, budgetary control, an examination of suspense and holding accounts and arrangements for accounting for VAT.

There were no significant issues to report as a result of audit test performed.

Our opinion, based on the results of tests performed, is that there is a robust control framework in place for the processing and reporting of transactions. All necessary controls were in place and found to be operating effectively.

3.1.2. Payroll

“Adequate Assurance”

This audit included a review of the arrangements in place for validating data entered into the payroll system, system security and data integrity, separation of duties including independent review of payroll output.

It was noted that, due to the size of the payroll section, segregation of duties when processing the payroll is difficult to achieve. However, audit testing did not identify any significant errors within Payroll processing and evidence of independent review was established and found to be operating consistently.

Recommendations reported were considered to be of moderate or low risk and the overall opinion is that systems are operating adequately.

3.1.3. Human Resources

“Adequate Assurance”

This review assessed the H.R. Strategy in relation to supporting corporate aspirations, the evaluation and effective co ordination of training and development requirements, the accuracy and security of personal records held and the management and communication of corporate policies.

Our opinion, based on the results of interviews and tests

performed, is that there is an acceptable control framework in place. Control weaknesses identified do not pose a significant risk.

3.1.4. NGT Project Management Arrangements

“Adequate Assurance”

The audit considered the project management arrangements up to the completion of the Major Scheme Business Case. This included project governance, financial reporting, risk management and project objectives, benefits and value for money factors.

In addition, the review considered reports provided by Local Partnerships following NGT Gateway review ‘0’ and Gateway review ‘1’ and findings published by the Audit Commission in their public interest report, Merseytravel Tram Scheme (January 2008).

Our opinion is that there is an acceptable control framework in place for the management of this project.

4. WORK IN PROGRESS

- 4.1. In addition to the reviews completed, audit testing has been performed in relation to Prepaid Tickets & Concessionary Travel, Maintenance of Passenger Facilities, Accessbus, and Tendered Subsidised Bus Services. Internal audit reports are currently being produced for these reviews. Details of any significant issues identified as a result of these and other planned audits completed will be reported to the next meeting of the Audit and Governance Committee.
- 4.2. The strategic audit plan for 2010/11 is in preparation and will be presented to the June meeting of the Committee. The plan focuses on the high risk areas within the organisation and when considering these Members’ views will be sought as to whether they would like to request any specific training in these areas, along the lines of that undertaken on treasury management.

5. FINANCIAL AND LEGAL IMPLICATIONS

- 5.1. None relating to the internal audit section.

6. STAFFING IMPLICATIONS

6.1. None relating to the internal audit section.

7. EQUAL OPPORTUNITY IMPLICATIONS

7.1. None relating to the internal audit section.

8. RECOMMENDATIONS

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

Clerk and Chief Financial Officer
West Yorkshire Integrated Transport Authority

APPENDIX A

Levels of Assurance for Internal Audit Reports

Assurance Level	Definition
Substantial	<p>There is a robust control framework in place for the system. All necessary controls are in place and are operating effectively. Any recommendations made are generally low risk and relate to enhancements of existing controls.</p>
Adequate	<p>There is an acceptable control framework in place. There may be some control weaknesses but the key controls are in place and operating effectively. However some changes to the controls and how they operate would be beneficial.</p> <p>An adequate opinion can only be given where a small number of controls are not always operating effectively provided there are no high risk recommendations.</p>
Qualified	<p>The service may be delivering its intended output but the controls in place for some elements of the system are not always appropriate or effective to ensure that this will continue to occur. Controls are not being consistently applied across all elements of the system. This could include breaches of policy and the risk of medium financial impact.</p> <p>A qualified opinion will be given if the areas where the controls are missing or not operational do not represent a significant risk to the system as a whole.</p>
No Assurance	<p>There is an inadequate control framework to ensure that the system can deliver its intended objectives. Controls are absent or not operating across the majority of the system. This will include significant breaches of legislation or the potential for significant impact on Metro such as large financial losses. The operation of the system is currently providing an unacceptable risk.</p>