

# WEST YORKSHIRE PASSENGER TRANSPORT AUTHORITY

## AUDIT AND GOVERNANCE COMMITTEE

DATE: 28 SEPTEMBER 2007

AGENDA ITEM NO: **8**

**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.** At the June meeting further information was requested in relation to the implementation of internal audit recommendations. An update on these matters is provide below.

##### **2.3.1. Transfer of data and ticket stocks**

In discussing the report Members expressed concern that systems could potentially be altered manually. Further work has confirmed that there is no evidence of fraudulent adjustments and to strengthen the process additional independent ticket stock checks will be carried out by staff who do not have sales transaction responsibilities.

##### **2.3.2. Farebox Revenue**

It was reported that a discrepancy was found between the farebox revenue notified by one of the bus operators and the surveys we perform. It was also stated that investigations were

ongoing because there was a potential risk we might be distributing the prepaid ticket monies incorrectly. Concern had been heightened because that particular operator had overstated their farebox revenue once before some years ago. However, audit investigations have confirmed that the latest returns from the operator are correct and the corresponding distribution of monies is also correct.

### **2.3.3. Third party access to our systems**

A review of IT systems has confirmed that the procedures are in place to reduce any risks to Metro.

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

- Tendered Subsidised Services.
- Mybus.
- Travel Centre Procedures.
- Petty Cash.
- Review of Operator Farebox Revenue Statements.

## **3. AUDIT RECOMMENDATIONS**

**3.1.** A summary of the more significant issues identified from the reviews undertaken by Internal Audit since the last report to the Audit & Governance Committee in June 2007 are provided below.

### **3.1.1. Criminal Record Bureau (CRB) Checks**

The review of Tendered Subsidised Bus Services produced a recommendation in respect of criminal record bureau (CRB) checks. Currently CRB checks are performed for drivers of Yellowbus services. However, the scope of checks will need to be expanded when new legislation is introduced in November 2008. It will then be necessary to include checks on drivers of all services designated to the transportation of children.

It was agreed that Metro would work with operators and the local education authorities to meet these requirements. Furthermore, contracts for these services will include a requirement that operators perform these checks.

### **3.1.2. Travel Centre Procedures**

This review confirmed arrangements for the security of cash and tickets were adequate and systems for processing transactions was operating well. It was recommended that the Bleep system currently used at other travel centres for recording ticket sales, should be introduced at Halifax.

### **3.1.3. Mybus**

Overall risks were managed satisfactorily. Improvements were identified in the administration of commercial booking processes and improving communication with operators and schools concerning routes including boarding and dropping off arrangements for Yellowbus services.

These improvements were agreed and are currently being implemented.

## **4. FINANCIAL AND LEGAL IMPLICATIONS**

4.1. None relating to the internal audit section

## **5. STAFFING IMPLICATIONS**

5.1. None relating to the internal audit section

## **6. EQUAL OPPORTUNITY IMPLICATIONS**

6.1. None relating to the internal audit section

## **7. RECOMMENDATIONS**

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