

# AGENDA ITEM NO: 5

**WEST YORKSHIRE INTEGRATED TRANSPORT AUTHORITY**  
**AT A MEETING OF THE AUDIT AND GOVERNANCE COMMITTEE**  
**HELD IN WELLINGTON HOUSE ON**  
**TUESDAY 29 JUNE 2010**

**PRESENT:** Councillor M Walker (Chair)

Councillors B Anderson, Y Crewe, C Greaves, A Longthorn, A Pinnock,  
E Taylor and J Watmough

In Attendance: S Dennis - Audit Commission  
J Talbot - Audit Commission

## **1. WELCOME**

The Chair welcomed new members to their first meeting.

## **2. DECLARATIONS OF INTEREST**

Councillor C Greaves declared a personal interest in Agenda Item 11 – Final Accounts of the Authority and Executive for 2009/10.

## **3. MINUTES**

**RESOLVED** - That the minutes of the meeting held on 16 March 2010 be approved.

## **4. AUDIT COMMISSION AUDIT FEES LETTER 2010/11**

The Committee considered a report of the Clerk and Chief Financial Officer on the Audit Fees letter for 2010/11 submitted by the Audit Commission.

Mr Dennis presented the Audit Commission's letter for 2010/11 which set out the proposed fee and a brief outline of the work that the auditors would be undertaking during the coming year.

It was reported that the proposed fee represented a 6% increase on 2009/10 and a 21% reduction against the standard scale of fees. That increase had arisen as a result of the transition to International Financial Reporting Standards. However that increase had been counter balanced by the Audit Commission's decision to reduce that part of the fee reflecting the financial pressures that public bodies were facing in the current economic climate, resulting in an overall reduction in the proposed fee.

Comment was made that the exact nature of the audit work would be reviewed and finalised, but attention would be focussed on the following key risks/themes:

- (i) How the ITA was responding to opportunities arising from the Local Transport Act 2008 (ie. new governance arrangements).
- (ii) How the ITA was responding to the financial pressures in the current economic climate.
- (iii) The ITA having effective mechanisms in place to manage and monitor large capital programmes.

**RESOLVED** - That the Audit Commission Audit Fees letter for 2010/11 be approved.

## 5. INTERNAL AUDIT REPORT

The Committee considered a report of the Internal Audit Manager on reviews undertaken by the Internal Audit section:

- Prepaid Tickets and Concessionary Fares
- AccessBus
- Tendered Subsidised Services
- Verification of Assets (Mybus vehicles)
- Interreg Grant Expenditure Certification (CARE North)

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

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

## 6. INTERNAL AUDIT – ANNUAL REPORT

The Committee considered the Annual Report of the Internal Audit Manager which provided details of significant issues arising as a result of work performed.

It was noted that the report was a culmination of the work carried out during the course of the year and sought to:

- Provide an opinion on the adequacy of the control environment.
- Comment on the nature and extent of significant risk.
- Report the incidence of significant control failings or weaknesses.

The Committee was informed that from the work undertaken during the year, Internal Audit had reached the opinion that key systems were operating and

that there was no fundamental breakdown of controls resulting in material discrepancy.

The Committee raised the issue of confidentiality with regard to the Authority/Executive's Whistleblowing Policy. In response members were given assurances of the mechanisms that were in place to protect any disclosures. It was suggested that the explanatory leaflet on whistleblowing be circulated to all members of staff on a regular basis.

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

## **7. INTERNAL AUDIT – STRATEGIC AUDIT PLAN**

The Committee considered a report of the Internal Audit Manager on the proposed schedule of internal audit reviews for 2010/11.

It was reported that the content, risk rating and progress of work on the Strategic Audit Plan would be regularly reviewed and reported and that any changes required to address changing risks and audit priorities would only be made with approval of the Authority and the Executive.

The Committee was advised that following the Government's recent announcement on departmental savings and suspension of the major schemes process, it was realised that funding for some projects included for audit within the Strategic Audit Plan was at risk. A reappraisal of the level of audit work required in those areas and the preparation of a modified plan would be submitted to the next meeting for members' consideration.

In view of the fact there would be a reduction of work in certain areas, particularly planning major schemes, it was suggested that the work programme be revised to incorporate work required on Quality Contracts/Partnerships.

**RESOLVED** - That the annual Strategic Audit Plan commencing from May 2010 as detailed within the 3 year Strategic Internal Audit Plan attached to Appendix 1 of the submitted report be approved, subject to further modifications to be reported to the next meeting.

## **8. ANNUAL GOVERNANCE STATEMENT**

The Committee considered a report of the Clerk and the Chief Financial Officer in respect of the following:

- Annual Governance Statement included in the 2009/10 accounts and supporting evidence.
- The effectiveness of Internal Audit function.

## **Review of Effectiveness of Internal Audit**

It was reported that under the Accounts and Regulations 2006 there was a requirement for the Authority to review the effectiveness of the Internal Audit system and report the results of that review within the Annual Accounts and Annual Governance Statement.

The Committee was advised that officers of the Executive had undertaken a review and had concluded that the Internal Audit function was operating effectively in accordance with the guidelines of the CIPFA Code of Audit practice.

It was also commented that the recommendations identified by the Audit Commission in the 2009 review had been addressed or were in the process of being progressed.

## **Annual Governance Statement (AGS)**

The Committee considered various aspects of the Annual Governance Statement which set out a summary of measures which were in place throughout the year prior to signing the Statement.

It was reported that the Annual Governance Statement was presented separately to the Accounts to allow members the opportunity to consider the Annual Governance Statement within the wider context of the Governance arrangements.

The Committee was advised that throughout 2009/10 the Authority had continued to demonstrate an ongoing commitment to best practice and good corporate governance consistent with the principles of the CIPFA/SOLACE framework in Local Government. That had been clearly demonstrated by the adoption of the Code of Corporate Governance which captured and summarised those principles.

It was noted that changes to the Governance Framework were approved at the ITA's annual general meeting and that this Committee would receive an update during the year on the effectiveness of the new arrangements. Members were advised that the Annual Governance Statement would be amended to that effect.

**RESOLVED** - That approval be given for the Chair of the Authority and Clerk to the Authority to sign the Annual Governance Statement, subject to the amendment noted above.

## **9. CONTROL ENVIRONMENT MONITORING**

The Committee considered a report of the Passenger Transport Executive on the quarterly review of internal controls.

In noting the various aspects of the Risk Register, the Committee was very aware that as a result of cuts announced by the Government the Authority's capital expenditure budget would be under review. In this respect it was reported that an update report setting out the actions was being prepared for meetings of this Committee and the ITA's Executive Board which would include:

- (i) A review of all committed capital expenditure.
- (ii) An assessment of all options and priorities.
- (iii) Proposed lobbying activities.

Comment was also made that a revised capital programme was being prepared which would be presented to a future meeting.

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

## **10. FINAL ACCOUNTS OF THE AUTHORITY AND EXECUTIVE FOR 2009/10**

The Committee considered a report of the Clerk and Chief Financial Officer on the Final Accounts for 2009/10 for the Authority and Executive and the Treasury Management Statement.

It was reported that in accordance with requirements of the Accounts and Audit Regulations the accounts had already been placed on deposit for public inspection. The Regulations then required that the accounts must be formally considered and signed by the end of June. The accounts would then be reconsidered by the Committee before the end of September after receipt of the Annual Governance Report from the auditors.

The Committee discussed the requirement for it to consider the valuation of Wellington House and if any downward adjustment was required in the current recession. It was their considered view that following external advice taken last year it was not necessary to carry out an impairment review.

**RESOLVED** -

- (a) That the final accounts of the Authority for 2009/10 as detailed in Appendix 2 of the submitted report be approved and signed by the Chair of the Authority and Clerk to the Authority.
- (b) That the Committee confirms that no impairment adjustment was required.
- (c) That the attached accounts for the Executive, as detailed in Appendix 1 of the submitted report, be noted.
- (d) That amendments to the revenue grant payable to the Executive to the exact figure of £155,585,348 be approved.

- (e)** That the capital grant to the Executive of £14,637,052 be approved.
- (f)** That the Treasury Management Policy and prudential decisions, as detailed in Appendix 4 of the submitted report, be approved.
- (g)** That the capital expenditure in 2009/10 relating to individual schemes, as detailed in Appendix 3 of the submitted report, including the methods of capital funding, be approved.