

WEST YORKSHIRE PASSENGER TRANSPORT AUTHORITY

AT A MEETING OF THE AUDIT AND GOVERNANCE COMMITTEE HELD IN WELLINGTON HOUSE ON FRIDAY 15 SEPTEMBER 2006

PRESENT: Councillor W S Hyde (Chair)

Councillors D Blackburn, R Downes, C Greaves, J Jarosz and M Lyons

In Attendance: P Lundy) Audit Commission (Items 1-8)
L Wild)

1. WELCOME

Councillor Hyde welcomed Members to the first meeting of this Committee.

2. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors J S King and G Phelps.

3. DECLARATIONS OF INTEREST

There were no personal or prejudicial interests declared by Members.

4. OUTLINE OF THE ROLE AND FUNCTIONS OF THE COMMITTEE

Consideration was given to a report of the Clerk and Chief Financial Officer outlining the background to the development of the Committee. A copy of the terms of reference, which was approved at the Authority's Annual General Meeting, was also presented for Members' information.

It was explained that Corporate Governance had become increasingly important to both the public and private organisations and it had been considered 'good practice' for both sectors to establish Governance Committees. Comment was made that the Audit and Governance Committee would have delegated powers to monitor and approve all Governance aspects of the Authority. The main functions of the Committee were as follows and a brief background and current position of each topic were reported for Members' information.

- (i)** Consideration and approval of the annual accounts.
- (ii)** Consideration of internal control arrangements.
- (iii)** Consideration of audit matters.
- (iv)** Consideration of constitutional matters.

With regard to constitutional matters, it was reported that in view of the fact that there had been an increasing number of legal and legislative changes proposed and/or implemented by the Government, it was considered appropriate that any future policy/legislation, which might affect the power or responsibilities of either the Authority or Executive, should be closely monitored by the Committee.

RESOLVED - That the report and terms of reference be noted.

5. PRESENTATION BY EXTERNAL AUDIT COMMISSION

The Committee were given a presentation by the Audit Commission on the background to governance arrangements in local authorities and the responsibilities they assumed.

Members were then given the opportunity to ask questions of the Audit Commission.

RESOLVED -

- (a) That the Audit Commission be thanked for their presentation.
- (b) That a summary of the CIPFA Code of Practice for Internal Audit in Local Government be prepared for a future meeting of the Committee.

6. AUDIT PLANS 2006/07

The Committee considered a report of the Clerk and the Chief Financial Officer on the Audit Plans, which had been submitted by the Authority's internal and external auditors.

(a) External Plan

A copy of the External Plan, which had been prepared by the External Auditors setting work for the forthcoming year, was submitted for Members' consideration. The Plan contained the Auditors' responsibilities, key tasks and criteria they had to follow. In this respect, Members raised a number of issues relating to:-

Fees

Members requested clarification with regard to the increase in fees from £29,000 in 2005/06 to £45,000 for 2006/07. Explaining the reasons for the increase, Mr Lundy indicated that the justification for the increase in fees was due to the additional work, which would be carried out by the Audit Commission in 2006/07. He also indicated that other factors, such as the increased workload as a result of the alleged fraud and the fact that for many years the fees had only risen in line with inflation, had also been taken into consideration.

Management of Risk

It was explained to the Committee that although the risk based planning assessment identifying areas of audit risk made by the Auditor were factual; the Authority and Executive had always taken risk management very seriously and for a number of years had arrangements in place including an internal officer group, which met regularly with the intention of identifying risks as part of the general management function.

(b) Internal Plan

It was reported that it was current practice for the Authority to use the Executive's Internal Audit Section to carry out their internal audit function. The Committee supported this approach. In their opinion, this was considered appropriate in view of the fact that most of the financial systems, such as accounting and payroll and staffing issues including codes of conduct, were operated on a joint basis.

RESOLVED - That the External and Internal Audit Plans for 2006/07 be noted.

7. FINAL ACCOUNTS 2004/05

The Committee considered a report of the Clerk and Chief Financial Officer setting out the Auditors' opinion on the final accounts for 2004/05.

Members were reminded that at the Authority's Annual General Meeting on 23 June 2006, the final set of accounts for 2004/05 was approved. However, in view of the alleged fraud the Auditors could only formally issue an opinion on the accounts, but could not issue a certificate until the Court proceedings had been completed. This would also apply in future years until completion of the court case.

RESOLVED - That the Audit opinion be received.

8. FINAL ACCOUNTS OF THE AUTHORITY AND EXECUTIVE FOR 2005/06

(a) Statement of Internal Control

The Committee considered a report of the Clerk and Chief Financial Officer on the background to the Statement of Internal Control, which was contained within the published accounts. The report also sought the endorsement of Members for the actions, which had been taken to ensure adequate governance arrangements were in place. Members were informed that over the last few years' governance arrangements had featured increasingly in the accounts of the Authority. In this respect, it was reported that the Statement of Internal Control, detailed in Appendix A of the report, appeared in the annual accounts and must be signed by the Chair. Members noted the

various aspects of the Statement of Internal Control, setting out the actions which had been taken/would be taken in the future to ensure that the governance arrangements which were in place were adequate and satisfactory.

RESOLVED - That the Statement of Internal Control be approved and signed by the Chair of the Authority.

(b) Financial Accounts 2005/06

The Committee considered a report of the Clerk and Chief Financial Officer on the final accounts for 2005/06 together with the comments received from the Auditors in their Annual Governance Report.

It was reported that following consideration of the final accounts at the Passenger Transport Authority on 23 June 2006, the accounts had now been audited and a revised version had been prepared for Members' approval. In this respect comment was made that all the changes, highlighted in the adjusted misstatements, requested by the Auditors were purely cosmetic and that no changes to the financial position of the Authority had been made.

Members were informed that the Annual Governance Report (previously known as SAS610) now included not only comments on the accounts, but also a statement on the findings on governance issues with the new 'Value for Money' conclusion. In this respect the Committee were asked to consider the document, which was a legal requirement, prior to approving the financial accounts. A 'letter of representation' was also attached to the report, which the Authority was obliged to provide to the Auditors.

During the review of the governance arrangements the Auditors had considered the roles and responsibilities of senior management of the Authority and Executive, which they believed, should be brought to the attention of the Committee.

In response, Members indicated that apart from the obvious cost benefits, it was their opinion that the combined role/responsibilities had proved to be very effective and that this had been reflected by other PTEs who had adopted the same approach. Comment was made that these and the role of independent non-executive directors would be considered at a future meeting.

RESOLVED -

- (a)** That the Annual Governance report be noted.
- (b)** That approval be given for the letter of representation to be signed by the Chair.

- (c) That the financial accounts of the Authority for 2005/06 be approved and signed as appropriate.
- (d) That a report on management roles be presented to a future meeting of the Committee.

9. REGIONAL GOVERNANCE ISSUES

The Committee considered a report of the Passenger Transport Executive giving an update on regional and sub regional governance issues, including the Northern Way, the City Region Development Programme, Regional Transport and the Yorkshire and Humber Assembly's review of governance arrangements.

It was reported that the Government was proposing to issue a paper, which would address issues affecting local and regional government. The paper was originally expected earlier this year, but was postponed until the Autumn, due to the creation of the new Department for Communities and Local Government headed by Ruth Kelly MP.

In this respect, Members were informed that it was unclear what the Government was proposing. During the run up to the publication of the White Paper a number of differing views had been put forward by Ministers and Government officers for long term delivery of transport.

It was reported that the Minister of State for Communities and Local Government had asked the 11 authorities which made up the City Region to present a plan setting out the Region's vision for public transport and how this would be managed.

The Committee indicated that in view of the emerging proposals it was very important that the situation was closely monitored and that regular reports were brought to the Committee. They also welcomed proposals to liaise with other PTE/PTAs through PTEG and SIG to develop a joint position statement in order that PTAs could make appropriate contributions to the debate on the future of regional governance having particular regard to transport.

RESOLVED -

- (a) That the report be noted.
- (b) That the emerging proposals be closely monitored and that further reports be brought to the Authority as/when appropriate.
- (c) That the Passenger Transport Executive liaise with other PTE's to develop a position statement.