

AGENDA ITEM NO: 3

WEST YORKSHIRE PASSENGER TRANSPORT AUTHORITY
AT A MEETING OF THE AUDIT AND GOVERNANCE COMMITTEE
HELD IN WELLINGTON HOUSE ON
TUESDAY 28 NOVEMBER 2006

PRESENT: Councillor W S Hyde (Chair)

Councillors D Blackburn, R Downes, J S King, M Lyons and G Phelps

In Attendance: P Lundy) Audit Commission (Minutes 10 -16)
L Wild)

10. DECLARATIONS OF INTEREST

There were no personal or prejudicial interests declared by Members.

11. MINUTES

RESOLVED - That the minutes of the meeting held on 15 September 2006 be approved.

12. AUDIT COMMITTEES – PRACTICAL GUIDANCE

The Committee considered a report of the Clerk and Chief Financial Officer setting out the practical guidance issued by CIPFA for Local Authorities' Committees.

RESOLVED - That the Audit Committee's Practical Guidance for Local Authorities be noted.

13. PROGRAMME OF MEETINGS

The Committee considered a report of the Clerk on the proposed programme of meetings.

In order to ensure a regular governance overview was taken on Authority matters and to meet the statutory requirements of audit and accounting legislation, it was proposed that meetings be held on a quarterly basis and that future meetings be approved at the Annual Meeting.

RESOLVED - That future meetings of the Audit and Governance Committee for 2006/7 be held on:

Friday 2 March 2007 at 10.30 am
Friday 29 June 2007 at 10.30 am (after AGM on 22 June 2007).

14. FINAL ACCOUNTS 2005/06 – AUDIT OPINION

The Committee considered a report of the Clerk and Chief Financial Officer on the Auditors' opinion on the accounts for 2005/06 and on the Authority's Best Value Performance Plan.

The Committee received the Audit Opinion on the 2005/06 Accounts which had concluded that the West Yorkshire Passenger Transport Authority had made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2006.

Members were reminded that 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.

It was also reported that Auditors had given an opinion on the Authority's Best Value Performance Plan. This was a statutory report, which was previously part of the Annual Audit letter. The Auditors' report had indicated that the Authority had complied with all legislative requirements and that they had not identified any matters to report.

RESOLVED –

- (a) That the Audit opinion be received.
- (b) That the Audit report on the Authority's Best Value Performance Plan be received.

15. ANNUAL AUDIT LETTER FOR 2005/06

The Committee considered a report of the Clerk and Chief Financial Officer on the receipt of the Audit Letter from the Audit Commission for 2005/06.

Members were asked to consider the following recommendations, which were included in the Action Plan appended to the Audit Letter.

Protocol Between Members/Officers

The Committee considered the recommendations of the Auditors that a protocol between members/officers would be good practice although it was stressed that any document should be compact and concise.

Protocol Re Monitoring Officer

It was reported that a protocol for the Monitoring Officer had been approved at the Standards Committee in March 2004. However, it was considered that

the protocol should be reviewed in light of the recommendations issued by Internal Audit in 2005.

Recording of Partnership Arrangements

The Committee noted that the recording of partnership arrangements was ongoing in the Executive.

Members' Training

It was reported that training for members was currently being reviewed. In response the Committee commented that they are required to go on numerous training courses at their respective districts on corporate/procedural issues and therefore it was emphasised that any training given should not be duplicated.

Members also supported the current arrangements whereby all new members were trained on the work carried out by the Authority and Executive and the regular seminars, which had been held on important policy matters affecting the PTA and other projects undertaken by Metro.

Management Responsibilities

Members were advised that this matter was subject to a separate report on the agenda.

Maintenance of Procedures

It was reported that the Authority and Executive had always taken risk management 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.

RESOLVED -

- (a) That the Annual Audit Letter for 2005/06 be noted.
- (b) That the action plan attached to the submitted report be accepted.

16. STATEMENT OF INTERNAL CONTROL

The Committee considered a report of the Clerk and Chief Financial Officer on revisions to the arrangements for internal control in the Authority.

Members were advised of the following changes, which had occurred since the last meeting:

- (i) Service Agreement with Leeds City Council
- (ii) Anti Fraud and Corruption Policy/Strategy
- (iii) Internal Financial Control arrangements and staff instructions

(iv) A review of Risk Matters

Comment was made that there had been no change in the risks identified. However, the Authority had been expecting the results of the appeal by First Group to the Department for Transport on concessionary fares reimbursement, which should have been published by the end of October 2006 and represented a significant risk for the Authority.

RESOLVED - That the report be noted.

17. INTERNAL AUDIT REPORT

The Committee considered a report of the Internal Audit Manager on reviews, which had been undertaken by the Internal Audit section and key issues, identified.

It was reported that the Accounts and Audit Regulations 2003 (amended) 2006 required the Authority to put in place a process for establishing, maintaining and reviewing internal control and risk management systems. In this respect it was commented that a number of reviews had been carried out by Internal Audit, which had identified the following issues as part of that work.

PTA/LCC Service Level Agreement

It was reported that the service level agreement between Leeds City Council and the PTA had now been signed which included details of review, authorisation and certification of financial information provided to the Authority.

Review of Financial Controls

It was reported that action had been taken to review and regularly report on the operation of all key financial controls managed by the Authority.

Purchase Ordering

The Committee were informed that the Audit of purchasing and procurement systems had identified control weaknesses relating to the segregation of duties in the purchasing process. In this respect, the Committee fully supported the officers' view that compensatory controls were present and operated within the process, which should detect any inappropriate expenditure.

Purchasing Strategy

It was noted that the Auditors' recommendation that the purchase strategy needed updating to reflect the introduction of new systems was now being implemented.

RESOLVED - That the report be noted.

18. AUTHORITY AND EXECUTIVE MANAGEMENT STRUCTURE

The Committee considered a report of the Passenger Transport Executive on senior management arrangements for the two organisations and the membership of the Executive Board.

Member's comments were sought on two issues, which had been raised by External Audit in the Annual Governance report.

The Joint Role of the Director General (Executive) and Clerk to the Authority

The Committee fully supported the existing arrangements, which had proved, to work very effectively since the amalgamation of the joint role. They commented that, apart from the obvious cost benefits, the role had assisted the joint working between the PTA and PTE and the flexible use of resources, sharing of relevant costs and ensuring a common approach between the two organisations eg. staffing policies, single Metro identity etc. The Committee also referred to a recent independent review commissioned by the West Midlands PTA, which had endorsed the approach Metro and Merseytravel had adopted which had led to the appointment of the same person holding both positions.

Non Executive Directors on the Executive Board

The Committee were told that the composition of the Executive Board had been under consideration for some time, in particular whether there should be an additional independent member.

Members were asked to consider the possible appointment of an additional non-executive director from the private sector to provide a business perspective and, if they were minded to make an appointment, to determine appropriate remuneration for the post.

Members were advised that the composition of the Executive Board at the other PTEs differed and therefore it was up to the Committee to consider if they wished to add further members (at a cost) to the PTE Board to demonstrate publicly that there was an independent review taken of decisions, and to determine if they considered that such an appointment would achieve value for money.

RESOLVED -

- (a)** That the current officer structure be endorsed.
- (b)** That the appointment of a further external independent member on the Executive Board be not supported.

19. LOCAL GOVERNMENT WHITE PAPER

The Committee considered a report of the Passenger Transport Executive on the recently published White Paper “Strong and Prosperous Communities”.

It was noted that the White Paper advocated that the Department for Transport (DfT) would be proposing a package of reforms for PTAs and PTEs aimed at strengthening leadership enabling a more coherent approach to transport in the biggest cities. One possible approach suggested would be to achieve more City Council leadership representation on PTAs. Members indicated their disappointment at the Government’s failure to consult with the PTA regarding the report and urged greater clarity over the nature of the report. They also questioned whether council leaders would find sufficient time, bearing in mind the demands placed on them in their existing roles, to perform the additional duties in an effective and efficient manner.

A suggestion was made that a letter should be sent to the District Leaders seeking their support for the Authority to retain overall control of powers and to give them enhanced powers in order that the PTA could effectively pursue the agreed shared vision for the delivery of public transport.

RESOLVED -

- (a)** That the report be noted.
- (b)** That a letter be sent to the District Leaders seeking their support with regard to the future of PTAs and PTEs.