

WEST YORKSHIRE INTEGRATED TRANSPORT AUTHORITY

AUDIT AND GOVERNANCE COMMITTEE

DATE: 29 JUNE 2010

AGENDA ITEM NO: **9**

SUBJECT: ANNUAL GOVERNANCE STATEMENT

Report of the Clerk and Chief Financial Officer

1. MATTER FOR CONSIDERATION

- 1.1 To consider the Annual Governance Statement included in the 2009/10 accounts and the supporting evidence.
- 1.2 To consider the effectiveness of the internal audit function.

2. INFORMATION

- 2.1 Under the Account and Audit Regulations 2006 there must be a formal consideration on an annual basis of the effectiveness of the system of internal audit. The appropriate committee must also issue within the annual accounts an Annual Governance Statement which must, amongst other things, reflect the findings of that review.

Review of effectiveness of internal audit

- 2.2 As set out above there is a requirement for the Authority to review the effectiveness of their system of Internal Audit. This is particularly difficult for the Authority in that they do not employ an internal auditor direct but make use of the internal auditors of the Executive and Leeds City Council (for treasury systems operated on the Authority's behalf). Officers of the Executive have therefore undertaken a review and considered the effectiveness of its internal audit function in accordance with advice issued by CIPFA.
- 2.3 Their consideration also included comments made by the Audit Commission who undertake a triennial review of the internal audit function in order for them to conclude whether they can rely upon the work of internal audit for their specific purposes. Such a review was undertaken as part of the 2008/09 audit and a number of areas for further improvement were identified. These focused largely around clarifying and more clearly defining the audit process undertaken such that a clear focus on key issues can be demonstrated. Prior to this review the Internal Audit Manager had already commenced work on streamlining the audit process and was considering for example more use of electronic tools to improve the management and documentation of work. As part of their audit work for 2009/10 the Audit Commission have reviewed the actions taken by Internal Audit in response to their report and they are satisfied with the

progress to date. They have also stated that they have been able to rely on some of the work of internal audit.

- 2.4 The review of effectiveness assumes that the resources available to internal audit are adequate. This conclusion is supported by the fact that internal audit have completed their required audit work to a standard deemed satisfactory by the Audit Committees.
- 2.5 **Appendix A** sets out the CIPFA based assessment which is carried out annually by the Executive as part of the review of the effectiveness of internal audit. The internal audit section complies with these requirements and has performed the audit work required of it in the year to a standard deemed sufficient by the Audit Committees that scrutinise their work. It is overall therefore confirmed that the internal audit function is effective.
- 2.6 This Committee is required to consider the findings of the review of internal audit put forward and confirm that the service has been effective in the past year.

Annual Governance Statement (AGS)

- 2.7 The AGS is presented separately to the accounts to allow the Committee the opportunity to consider it within the context of the wider governance arrangements. It is attached as **Appendix B**. This statement follows a similar format to previous years and is in accordance with the framework recommended by CIPFA/SOLACE.
- 2.8 Members have regularly considered various elements of the control environment at these meetings and the AGS is effectively providing a summary of the measures in place that Members have seen throughout the year. The Code of Corporate Governance approved last year is a further element of the overall governance arrangements, setting out the framework in which it operates. The key control elements to note are:
- An effective Audit Committee has been in place throughout the year.
 - Internal and external audit plans have been presented and progress against them monitored.
 - Issues arising from audit reports produced by both internal and external audit have been considered.
 - The risk register has been updated and considered quarterly.
 - Capital and revenue monitoring have been undertaken regularly by the Committee.
 - Budget papers and presentations have been received by the Committee and the Authority.
 - Revised arrangements for financial management within the Authority have been considered and ratified as effective.
 - Statements of internal control have been received regularly by the Committee, confirming key financial controls have operated in the period.

- The Authority re-approves Standing Orders, Financial Regulations and Members Allowances Scheme on an annual basis.
- The Standards Committee has considered reports on declarations of interest and gifts and hospitality.
- Regular reports on the latest developments on regional governance have been received by the Committee and briefings and workshops held with all Members.

2.9 The changes to working group arrangements and governance arrangements at the Authority are referred to in the attached statement and will be reflected fully in next year's AGS once they are fully operational.

2.10 The AGS should reflect any control issues brought to the attention of the Committee during the year and any issues raised in the internal audit review of the year. There are no significant matters raised in this review and hence no reference to this in the AGS.

2.11 The Head of Internal Audit of Leeds Council has undertaken his usual audit work on the treasury function and provided confirmation that no errors were found.

2.12 Members are asked to consider whether the control environment is satisfactory and operating effectively. They are then asked to approve that the AGS itself is a reasonable statement of the situation and that the Chairman of the Authority be authorised to sign it.

3. FINANCIAL AND LEGAL IMPLICATIONS

3.1 None directly arising from this report.

4. STAFFING IMPLICATIONS

4.1 None directly arising from this report.

5. EQUAL OPPORTUNITY IMPLICATIONS

5.1 None directly arising from this report.

6. RECOMMENDATIONS

6.1 That approval be given for the Chairman of the Authority and the Clerk to the Authority to sign the Annual Governance Statement.

Clerk and Chief Financial Officer
West Yorkshire Integrated Transport Authority