

WEST YORKSHIRE PASSENGER TRANSPORT AUTHORITY

AUDIT AND GOVERNANCE COMMITTEE

DATE: 30 JUNE 2008

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 2007/08 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 (formerly Statement of Internal Control) 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. 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. The results of that assessment are attached as Appendix A and have been considered by the PTE Audit Committee and Executive Board at their last meeting.
- 2.3. 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 Committee and that can be relied on by the Audit Commission.
- 2.4. A peer review of internal audit was undertaken by the Chief Internal Auditor of Strathclyde Partnership for Transport in February. A number of minor recommendations were made by him but overall his conclusions were largely positive and therefore support the findings in Appendix A.

Implementation of the action plan arising is being monitored by the PTE Audit Committee. The last review of internal audit by external audit was undertaken in 2006 and the recommendations made by them have all been implemented (the next review will be in 2009).

- 2.5. The results of the effectiveness review as attached in Appendix A support the overall conclusion that the internal audit function is satisfactory. The Committee is required to consider these findings put forward and confirm this conclusion.

Annual Governance Statement (AGS)

- 2.6. 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 replaces the SIC which the Committee has seen in previous years as the 'proper practice' requirements recommended by CIPFA now require a wider governance statement encompassing more than just financial controls.
- 2.7. 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 key elements to note in this 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 discussed and approved
 - Statements of internal control have been received regularly by the Committee, confirming key financial controls have operated in the period.
 - The Authority reapproves 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.
- 2.8. 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. The only such issue is within the Executive and relates to ticket sales at one of the travel centres. Members have satisfied themselves that appropriate measures have been put in place as a consequence of this.

- 2.9 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 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 the Chairman and the Clerk to the Authority be recommended to sign the Annual Governance Statement.

Clerk and Chief Financial Officer
West Yorkshire Passenger Transport Authority