

**WEST YORKSHIRE INTEGRATED TRANSPORT AUTHORITY**  
**AT A MEETING OF THE AUDIT AND GOVERNANCE COMMITTEE**  
**HELD IN WELLINGTON HOUSE ON**  
**TUESDAY 23 JUNE 2009**

**PRESENT:** Councillor A Pinnock (Chair)

Councillors J Jarosz, M Lyons, K Rhodes and M Walker

In Attendance: P Lundy and J Talbot (Audit Commission)

**1. APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillors C Greaves and G Phelps.

**2. DECLARATIONS OF INTEREST**

There were no personal or prejudicial interests declared by members at the meeting.

**3. MINUTES**

**RESOLVED** - That the minutes of the meeting held on 17 March 2009 be approved.

**4. AUDIT COMMISSION AUDIT FEES LETTER 2009/10**

The Committee considered a report of the Clerk and the Chief Financial Officer on the audit fees letter for 2009/10 submitted by the Audit Commission.

Mr Lundy presented the Audit Commission's letter for 2009/10, which replaced the audit plan. It set out the proposed fee and a brief outline of the work the auditors would be undertaking during the coming year.

It was pointed out that the exact nature of the work would be reviewed and finalised, but attention would be focused on the following key risks/themes:

- (i)** Now governance arrangements for transport following the Local Transport Act.
- (ii)** Longer term financial pressures (managing resources).

- (iii) New value for money conclusion criteria on how the ITA ensured it was making best use of natural resources.

**RESOLVED** - That the Audit Commission audit fees letter for 2009/10 be approved.

## 5. INTERNAL AUDIT REPORT

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

- Main Accounting Systems, VAT and ITA Financial Procedures
- Pre-paid Tickets and Concessionary Fares

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

With regard to pre-paid tickets and concessionary fares report, the Committee expressed concern that guarantees had not yet been provided by third parties regarding the systems they operated to safeguard ticket stocks and the provision of accurate information on sales income received and the levels of stockholding. The Committee was given assurances that these issues would continue to be pursued and the outcome reported to the next meeting.

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

## 6. INTERNAL AUDIT - STRATEGIC AUDIT PLAN

The Committee considered a report of the Passenger Transport Executive on the proposed schedule of internal audit reviews.

It was reported that the Code of Practice for Internal Audit in Local Governance required that a risk based approach be undertaken in the provision of internal audit reviews. The code was identified in the Terms of Reference for Internal Audit as 'proper practice' in the delivery of the Internal Audit Service. That approach had now led to the production of a 3 year Strategic Plan, which was derived from the development of a risk profile of Metro's actions. The Plan set out where a full audit review was to be undertaken and, where appropriate, 'light touch' reviews that would consider the presence and operation of high level significant controls only.

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

**RESOLVED** - That the Annual Audit Plan, as detailed in the 3 year Strategic Internal Audit Plan, be approved.

## **7. 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 in the Annual Audit Plan 2008/09.

It was reported 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, Internal Audit had reached the opinion that key systems were operating and that there was no fundamental breakdown of controls resulting in material discrepancy.

Members were given a brief update on the more significant issues that had been identified during the year.

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

## **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 2008/09 accounts and supporting evidence.
- The effectiveness of the internal audit function.

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

It was reported that under the Accounts and Audit 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 had undertaken a review and were generally satisfied that Internal Audit met the required standards. The Audit Commission had undertaken a review and noted a number of areas where the audit process could be more clearly defined, such that a clear focus on key issues could be demonstrated. In this respect, it was commented that a review would be carried out by the Internal Audit Section and on its completion consideration would be given as to whether the enhancements identified in the review be subject to external scrutiny in order to ensure that Metro had every confidence that the internal audit process was in line with best practice.

Members were informed that the final version of the review would contain an action plan, which would be implemented through the Audit Committee.

### **Annual Governance Statement**

The Committee considered various aspects of the Annual Governance Statement, which set out a summary of the 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 context of the wider governance arrangements.

The Committee was advised that throughout 2008/09 the Authority had continued to demonstrate an ongoing commitment to best value and good corporate governance consistent with the CIPFA/SOLACE Framework in Local Government. This had been clearly demonstrated by the adoption of the Code of Corporate Governance, which captured and summarised those principles. It was concluded that an effective system of internal control had been in place throughout the financial year.

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

## **9. CONTROL ENVIRONMENT MONITORING**

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

Members noted various aspects of the Internal Controls Risk Register and discussed the Risk Register, which was attached at Appendix A to the submitted report.

It was reported that following discussions at the last meeting, some minor revisions had been made to the Risk Matrix. In this respect, it was commented that there were no changes to the risks highlighted in red and governance issues continued to be closely monitored by the Authority on an ongoing basis.

### **Quarterly Financial Monitoring**

The Committee noted the update on revenue expenditure, which was attached at Appendix B to the submitted report. It was reported that the final accounts for both capital and revenue, which sought members' approval, was the subject of a separate agenda item. Comment was also made that although there were no significant variances on the 2009/10 revenue figures, a detailed update would be provided to the next meeting of the committee.

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

## 10. FINAL ACCOUNTS OF THE AUTHORITY AND EXECUTIVE FOR 2008/09

The Committee considered a report of the Clerk and Chief Financial Officer on the Final Accounts for 2008/09 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 was made aware of the situation with regard to concessionary payments and the future implications on the Authority's budget in 2010/11 and thereafter when the 3 year agreement with the major operators was due to expire.

### RESOLVED -

- (a) That the final accounts of the Authority for 2008/09 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 2 of the submitted report, be noted.
- (d) That amendments to the revenue grant payable to the Executive to the exact figure of £150,067,437 be approved.
- (e) That the capital grant to the Executive of £12,969,645 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 2008/09 relating to individual schemes, as detailed in Appendix 3 of the submitted report, including the methods of capital funding, be approved.

## 11. GOVERNANCE UPDATE

The Committee considered a report of the Passenger Transport Executive, which gave an update on the following policy/strategy issues.

### Transport Governance Review

It was reported that the City Region Leaders' Board had agreed that the full City Region ITA could not be progressed in the short term, but should be kept under review. A decision was also taken to progress the development work

required to implement the Governance reforms for a stronger ITA with strengthened City Region partnership arrangements. Comment was also made that due to the nature and complexity of the statutory and parliamentary processes involved it was expected that the earliest the reforms could be implemented was at the start of the next Local Transport Plan (LTP3) in 2011.

### **The Local Democracy, Economic Development and Construction Bill (LDEDC)**

It was reported that the main provision of the Bill was to create new Economic Prosperity Boards to improve economic development and the overall economic conditions of the sub region. The Bill would also allow for the creation of new combined authorities, which could absorb the responsibility of the ITA and Economic Prosperity Board bringing transport and economic planning together.

### **Policies of the Official Opposition on Local Governance**

The Committee noted a list of opposition policies regarding local governance, which had been compiled by PTEG.

### **City Region Forerunner Pilot**

It was reported that the Chancellor of the Exchequer had announced that the Leeds City Region, along with Greater Manchester, were to take part in the City Region Forerunner Pilot. Comment was made that the pilot could provide new strategy making responsibilities in economic development, housing, skills and transport. Metro was currently working with their Leeds City Region partners to prepare a delivery plan, outlining specific measures and would then be submitted to the Government for their approval.

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