

WEST YORKSHIRE PASSENGER TRANSPORT AUTHORITY

AUDIT AND GOVERNANCE COMMITTEE

DATE: 16 December 2008

AGENDA ITEM NO: 6

SUBJECT: INTERNAL AUDIT REPORT

Report of the Internal Audit Manager

1. MATTER FOR CONSIDERATION

1.1. Purpose of Report

To inform Members of the work undertaken by the Internal Audit section.

2. INFORMATION

2.1. This report provides details of work completed by the Internal Audit section and any key issues identified.

2.2. The Accounts and Audit Regulations 2003, as amended by the 2006 Regulations, establish requirements relating to systems of internal control and the review and reporting of those systems. Accordingly, the Authority must have in place a process for establishing, maintaining and reviewing the system of internal control and risk management. The regular reporting by the Internal Audit Manager forms part of that review.

2.3. The Internal Audit section have completed the following reviews since the last report to the Authority:

- Payroll & HR Records.
- Sundry Income.

3. AUDIT RECOMMENDATIONS

3.1. A summary of the overall audit opinion and details of any significant issues identified from these reviews are provided below.

3.1.1. Payroll & HR Records

“Adequately Controlled”

The review focused on the reliability of systems for ensuring that expenditure is properly authorised/incurred and the suitability and reliability of financial information. The scope of this audit included the testing of procedures and systems for recording starters, payroll deductions, variations to pay, leavers, security of data, holiday and flexi days and members allowances.

Our opinion, based on the results of interviews and tests performed, is that there is an adequate level of assurance can be placed on the effectiveness of the control framework to mitigate risks. Key controls were in place and found to be operating effectively. However, it was considered that some changes to existing procedures could be beneficial.

3.1.2. Sundry Income

“Adequately Controlled”

This audit considered arrangements in place for ensuring that sundry cash income is adequately receipted, recorded, secured and banked in a timely manner. For the purpose of this review sundry income was identified as replacement Metrocard fees, coach parking income and cash from vending machines. In addition procedures for recording and handling items of lost property were also examined.

Our opinion, based on the results of tests performed, is that an adequate level of assurance can be placed on the effectiveness of the control framework to mitigate risks. Key controls were in place and found to be operating effectively. However it is considered that some changes to controls could be beneficial.

3.2. A definition of internal audit assurance levels is provided in Appendix “A”.

4. WORK IN PROGRESS

- 4.1.** In addition to the reviews completed audit testing has been performed in relation to Capital & Development Projects, Bus & Train Survey Systems and Purchasing & Procurement functions. Internal audit reports are currently being finalised for these reviews. Details of any significant issues identified as a result of these and other planned audits completed in the period will be reported to the March meeting of the Audit & Governance Committee.

5. ANTI-FRAUD & ANTI-CORRUPTION POLICY/STRATEGY

- 5.1.** A review of the Anti-Fraud & Anti-Corruption Policy/Strategy has resulted in the production of a revised document which sets out the measures in place to help prevent and detect fraudulent or corrupt acts. Other modifications include the provision of information concerning the roles of management, internal audit and external audit in preventing and detecting fraud or corruption.

The Policy/Strategy is presented as a joint document covering both the PTE and PTA and was approved by the Executive at their meeting held on 19 November 2008. This document is attached as Appendix "B" to this report for consideration by the Authority.

6. ISSUES ARISING FROM THE SEPTEMBER MEETING

- 6.1.** Members had requested that procedures in operation for the management of contractors be assessed. This work formed part of the internal audit of Capital & Development Projects as discussed in section 4.1.

7. FINANCIAL AND LEGAL IMPLICATIONS

- 7.1.** None relating to the internal audit section

8. STAFFING IMPLICATIONS

- 8.1.** None relating to the internal audit section

9. EQUAL OPPORTUNITY IMPLICATIONS

- 9.1.** None relating to the internal audit section

10. RECOMMENDATIONS

- 10.1.** That the report of the Internal Audit Manager be noted.
- 10.2.** That the revised Anti-Fraud & Anti-Corruption Policy/Strategy, as provided in Appendix “B”, be approved

