

WEST YORKSHIRE INTEGRATED TRANSPORT AUTHORITY

AUDIT AND GOVERNANCE COMMITTEE

DATE: 29 JUNE 2010

AGENDA ITEM NO: **6**

SUBJECT: INTERNAL AUDIT REPORT

Report of the Internal Audit Manager

1. MATTER FOR CONSIDERATION

- 1.1. 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:
 - Prepaid Tickets & Concessionary Fares
 - AccessBus
 - Tendered Subsidised Services
 - Verification of assets (Mybus vehicles)
 - Interreg grant expenditure certification (CARE North)

3. AUDIT OPINION

- 3.1. A summary of the overall audit opinion and details of any significant issues identified from these reviews are provided below. A further explanation of internal audit opinion categories is provided in Appendix 'A'.

3.1.1. AccessBus

“Adequate Assurance”

This review considered AccessBus contract compliance and monitoring arrangements, the operation of the AccessBus booking system and vehicle replacement and disposal procedures.

Improvements were identified in relation to the provision of documentation submitted by operators to support tender bids in respect of their public and employer insurance details.

The Director of Resources has issued instructions to ensure that all critical elements of tenders are clearly identified and that supporting documentation is received as part of all tender bids.

Our opinion, based on the results of tests performed, is that there is an acceptable control framework in place; however some changes to the operation of controls would be beneficial.

3.1.2. Tendered Subsidised Services

“Adequate Assurance”

This audit included a review of the systems for ensuring that payments are properly calculated, authorised and recorded, processes for evaluating tenders received from operators and the operation of contract monitoring and contract compliance processes.

There were no significant recommendations identified as a result of audit testing performed.

Recommendations reported were considered to be of low risk and the overall opinion is that systems are operating adequately.

3.1.3. Prepaid Tickets & Concessionary Travel

“Adequate Assurance”

This review considered the existence and operation of controls designed to mitigate significant risks associated with the provision and collection of income for Metro ticket sales, the calculation and distribution of payments to operators in relation to the West Yorkshire Prepaid Ticket Pool, the calculation of reimbursements for concessionary fares and the management of national concessions passes.

A number of recommendations of low or moderate priority were provided along with two other high priority issues as set out below. These related to improvements or enhancements for customers rather than actions required to reduce the risk of current systems.

Through the development of a retail strategy it was recommended that opportunities be identified to improve the delivery and increase the availability of tickets outside the limits of the existing arrangements.

It was also identified that further efficiencies in processing ticket transactions be delivered as part of the specification and implementation of new ticketing systems being introduced.

Our opinion, based on the results of interviews and tests performed, is that there is an acceptable control framework in place. Control weaknesses identified do not pose a significant risk.

3.1.4. Mybus vehicles –Asset Verification

78 MyBus vehicles operated by First Group were selected from records maintained by Metro. These vehicles were physically inspected at depots in Halifax, Huddersfield and Bradford. No discrepancies were found.

3.1.5. Interreg Grant – CARE NORTH

An audit of expenditure incurred in respect of Carbon Responsible Transport Strategies for the North Sea area (CARE NORTH) activities was performed for the period from 1/10/2009 to 31/3/2010. The Internal Audit Manager was able to certify that Euro 300,309 was eligible to be claimed in this period.

4. WORK IN PROGRESS

- 4.1. In addition to the reviews completed, audit testing has been performed in relation to Data Security and Passenger Facilities Maintenance. Internal audit reports are currently being produced for these reviews. Details of any significant issues identified as a result of these and other planned audits completed will be reported to the next meeting of the Audit and Governance Committee.

- 4.2. The strategic audit plan for 2010/11 is provided as a separate agenda item. The plan focuses on the high risk areas within the organisation. Members' views are sought as to whether they would like to request any specific training in these areas, along the lines of that previously undertaken on treasury management.

5. FINANCIAL AND LEGAL IMPLICATIONS

- 5.1. None relating to the internal audit section.

6. STAFFING IMPLICATIONS

- 6.1. None relating to the internal audit section.

7. EQUAL OPPORTUNITY IMPLICATIONS

- 7.1. None relating to the internal audit section.

8. RECOMMENDATIONS

- 8.1. That the report of the Internal Audit Manager be noted.

Clerk and Chief Financial Officer
West Yorkshire Integrated Transport Authority

APPENDIX A

Levels of Assurance for Internal Audit Reports

Assurance Level	Definition
Substantial	<p>There is a robust control framework in place for the system. All necessary controls are in place and are operating effectively. Any recommendations made are generally low risk and relate to enhancements of existing controls.</p>
Adequate	<p>There is an acceptable control framework in place. There may be some control weaknesses but the key controls are in place and operating effectively. However some changes to the controls and how they operate would be beneficial.</p> <p>An adequate opinion can only be given where a small number of controls are not always operating effectively provided there are no high risk recommendations.</p>
Qualified	<p>The service may be delivering its intended output but the controls in place for some elements of the system are not always appropriate or effective to ensure that this will continue to occur. Controls are not being consistently applied across all elements of the system. This could include breaches of policy and the risk of medium financial impact.</p> <p>A qualified opinion will be given if the areas where the controls are missing or not operational do not represent a significant risk to the system as a whole.</p>
No Assurance	<p>There is an inadequate control framework to ensure that the system can deliver its intended objectives. Controls are absent or not operating across the majority of the system. This will include significant breaches of legislation or the potential for significant impact on Metro such as large financial losses. The operation of the system is currently providing an unacceptable risk.</p>