

WEST YORKSHIRE PASSENGER TRANSPORT AUTHORITY

AUDIT AND GOVERNANCE COMMITTEE

DATE: 28 NOVEMBER 2006

AGENDA ITEM NO: 8

SUBJECT: STATEMENT OF INTERNAL CONTROL

Report of the Clerk and Chief Financial Officer

1. MATTER FOR CONSIDERATION

- 1.1. Changes to the arrangements for internal control in the Authority since the last meeting of the committee.

2. INFORMATION

Background (App A – The SIC)

- 2.1. The arrangements for internal control within the Authority are continuously changing and being updated. It is good practice, and a requirement of the regulations, that Members continuously monitor the arrangements and satisfy themselves that those arrangements are both sufficiently robust and are operating satisfactorily. As a basis for their consideration the latest published version of the 'Statement of Internal Control' as it appears in the 2005/06 accounts is attached as Appendix A.
- 2.2. There have been a number of events/changes which have occurred in the last quarter. These are dealt with individually below but Members are also asked if they wish to discuss any other aspects of the arrangements, if they wish any aspects of the arrangements to be reviewed by officers before the next meeting of the committee or if they wish any reports to be prepared in relation to the operation of the internal controls.

Service agreement with Leeds City Council (App B)

- 2.3. The service agreement whereby Leeds City Council undertakes work on behalf of the Authority in relation to borrowing and investments and related work has now been signed. This provides assurances to the Authority that the documentation they have provided in relation to the transactions they have carried out on behalf of the Authority are correct and the systems they operate on the Authority's behalf are operating correctly.
- 2.4. It is recommended that the actual agreement is considered to be commercially confidential and that the public interest would be better

served in not releasing it because it might prejudice future negotiations for such work. However, the list of services and the assurances to be provided by the Council are set out in a separate schedule to the document. That schedule is attached as Appendix B for members information.

Anti-fraud and Corruption Policy/Strategy (App C)

- 2.5. Officers at the Authority and Executive have recently reviewed and updated this policy a copy of which is attached as Appendix C. It has been rewritten as a Metro (joint PTA and PTE) document and was reviewed as good practice rather than as a result of any known problems. It covers matters in relation to fraud and corruption in their widest sense, refers to the organisation's codes of conduct and to the whistleblowing policy and procedure.
- 2.6. Members are asked to note the attached document which has been placed on the Intranet site and which forms part of the regulations for all employees.

Internal financial control arrangements and staff instructions (App D)

- 2.7. The Executive have recently introduced PROACTIS which is a computer based purchasing system allowing more control over purchasing activities and payment of invoices. As a result it has been necessary to revise staff instructions relating to purchasing and the payment of invoices.
- 2.8. The opportunity has therefore been taken to review all internal control arrangements and all staff instructions related to financial matters. The revised instructions have recently been issued and the summary of the relationships between the Authority, the Executive and Leeds City Council is set out in Appendix D attached.

Risk Matters (App E)

- 2.9. The Risk register (Appendix E) for the Authority is reviewed bi-monthly by officers jointly with the Executive's Risk register. There has been no change in the risks identified although it had been expected that the result of the appeal by First Group on concessionary fares reimbursement should have been published (by the end of October). That significant risk is therefore ongoing.
- 2.10. It is not considered sufficient to be simply aware of the risks affecting the Authority and Executive. Thus not only do officers prepare reports for members at appropriate times but they also regularly monitor the actions which could have an effect on the conduct of the Authority's business.
- 2.11. The Executive's Audit Committee receives quarterly schedules of actions. At their last meeting the committee received a schedule

indicating that all such actions were up to date. In addition the Chief Financial Officer holds a quarterly governance meeting. At the last meeting of that group certifications were received from Leeds City Council concerning the accuracy of the transactions related to investments and borrowing and officers reported that bank reconciliations and accounting postings were up to date.

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 report be noted

**Clerk and Chief Financial Officer
West Yorkshire Passenger Transport Authority**