

# WEST YORKSHIRE INTEGRATED TRANSPORT AUTHORITY

## AUDIT AND GOVERNANCE COMMITTEE

DATE: 23 June 2009

AGENDA ITEM NO: **5.**

**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:

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

#### **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.

##### **3.1.1. Main Accounting Systems**

##### **“Substantial Assurance”**

The review focused on the reliability of systems for accounting for transactions of the Executive and the Authority including controls operated in relation to information received for financial services provided by Leeds City Council on behalf of the ITA. The scope of this audit also included the testing of procedures

and systems for accounting for VAT including the preparation/ calculation of VAT returns submitted to HM Revenues and Customs.

Our opinion, based on the results of tests performed, is that there is a robust control framework in place for the processing and reporting financial transactions. All necessary controls were in place and found to be operating effectively.

### 3.1.2. **Prepaid Tickets and Concessionary Fares**

#### **“Qualified Assurance”**

This review considered arrangements in place for the calculation of payments for prepaid ticket pool distributions and concessionary fare re-imburements. The audit included a review of procedures and controls for the management of ticket stocks and ticket sales income.

A feature of the overall control environment is that these organisations operate robust systems to safeguard ticket stocks and provide accurate information concerning sales income received and the levels of stockholding. It was noted however that assurances have not yet been provided by the Post Office and ATOC concerning the operation of these systems they utilise to sell Metro tickets through post offices and rail outlets.

The Executive have agreed to continue to pursue these issues with the Post Office and through the West Yorkshire Ticketing Company, TICCO.

Our opinion, based on the results of tests performed, is that a qualified level of assurance can be provided.

## **4. WORK IN PROGRESS**

- 4.1. In addition to the reviews completed audit testing has been performed in relation to Tendered Subsidised Bus Services, Legislative Compliance and MyBus. 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 will be reported to the next meeting of the Audit and Governance Committee.

Work has also been performed to support the production of statutory accounts, including internal audit's overall opinion of the control environment.

## **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.