

# WEST YORKSHIRE PASSENGER TRANSPORT AUTHORITY

## AUDIT & GOVERNANCE COMMITTEE

DATE: 29 JUNE 2007

AGENDA ITEM NO: 4

### 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. In addition to this report, an Annual Internal Audit report has been produced which includes an overall opinion on the Authority's system of internal control based on audit work performed in 2006/07. That report is included on the Agenda of this meeting with other documents that support the Statement on Internal Control (SIC).

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 managements. 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.
- Main Accounting Systems.
- I.T. Management & Administration.
- PTA Financial Systems.
- Creditors Processing Procedures.
- Payroll & Personnel Systems.

## **2.4. Issues Arising**

The following section provides a summary of the more significant issues identified from the reviews undertaken by Internal Audit since the last report to the Audit & Governance Committee in March 2007.

### **2.4.1. Transfer of Data**

Information concerning the sales of prepaid tickets is initially recorded on a system called Bleep. This data is required to be transferred onto Metro's principle financial management system, Dream. This is provided through the Import Manager software system and is designed to provide a secure and transparent means of transferring data. In addition, functionality is provided to report on any changes made to the data during the interface process.

Adjustments required to this information are predominately actioned in Bleep before any data is transferred. However, it is possible for further changes to this information to be made at an intermediate stage when held on the import manager system.

There is a risk that data can be altered during this process resulting in inaccurate information being reported from the financial management system.

It was recommended that information on changes to data made during the Bleep/Dream interface process be reviewed and that evidence of this process be maintained.

Arrangements have now been put in place to identify and investigate any changes made during the transfer process.

### **2.4.2 Travel Centre Ticket Stocks**

Due to technical problems, the stock valuation element of the Bleep system could not be produced for a period of several months. As a result, there is now a difference between stock levels actually held and amounts recorded within Bleep.

It was recommended that these differences be investigated and reviewed and that any changes identified be formally approved.

An investigation into these variances is now underway and it was agreed that a report would be produced for the October meeting of the Executive Board.

### **2.4.3 Farebox Revenue**

It was noted that the correction factor, the difference between the observed fares from surveys performed and farebox revenue amounts submitted by the operator were high in relation to an operator. This may be due to a number of factors including inaccurate survey data or overstatement of revenue by the operator.

It was recommended that proposals for monitoring, investigating and reporting of high grossing factors be developed and that variances relating to this operator be investigated

The level of survey data held in respect of this operator is to be reviewed and calculations will re perform. Procedures for investigating significant variances will be developed.

In addition, Internal Audit are to visit this operator on 6 July to undertake a review of records which support income declared on farebox revenue statements submitted to Metro.

#### **2.4.4 I.T. Systems – Third Party Access**

An audit of ICT management processes highlighted that the Executive's systems may be vulnerable when access is allowed to third parties in order to carry out maintenance or upgrades to software applications. It was agreed that policies, contracts and procedures require updating to clarify responsibilities, determine the scope of access and obtain assurances in relation to third parties.

These improvements are now being progressed.

### **3. AUDIT CHARTER**

**3.1.** An Audit Charter sets out how internal audit will be delivered and developed in accordance with the terms of reference and how it links to objectives and responsibilities. New guidance for internal audit functions has been issued by CIPFA. The Audit Charter has been revised accordingly.

### **4. FINANCIAL AND LEGAL IMPLICATIONS**

**4.1.** None.

### **5. STAFFING IMPLICATIONS**

**5.1.** None.

### **6. EQUAL OPPORTUNITY IMPLICATIONS**

**6.1.** None.

### **7. RECOMMENDATIONS**

**7.1.** That the report of the Internal Audit Manager be noted.

**Director General  
West Yorkshire Passenger Transport Executive**