

**WEST YORKSHIRE INTEGRATED TRANSPORT AUTHORITY**  
**AT A MEETING OF THE AUDIT AND GOVERNANCE COMMITTEE**  
**HELD IN WELLINGTON HOUSE, LEEDS, ON**  
**TUESDAY 26 JULY 2011**

**PRESENT:** Councillor B Hyde (Chair)

Councillors B Collins, M Ellis, J Harper, I Hussain, J Lewis and  
A Pinnock

In Attendance:	S Dennis	-	Audit Commission
	J Talbot	-	Audit Commission

**1. APOLOGIES FOR ABSENCE**

None were received.

**2. DECLARATIONS OF INTEREST**

There were no personal or prejudicial interests declared by members at the meeting.

**3. MINUTES**

**RESOLVED** - That the minutes of the meeting held on 15 March 2011 be approved.

**4. AUDIT FEES LETTER 2011/12**

The Committee considered a report of the Clerk and Chief Financial Officer on the audit fees letter for 2011/12 submitted by the Audit Commission.

In presenting the Audit Commission's letter Mr Dennis indicated that the fees had been reduced by 21% which was in line with the proposed national reduction arising from the revised approach to value for money.

**RESOLVED** - That the Audit Commission audit fees letter for 2011/12 be noted.

## 5. INTERNAL AUDIT – STRATEGIC AUDIT PLAN

The Committee considered a report of the Internal Audit Manager on the proposed schedule of internal audit reviews for 2011/12.

It was reported that the Code of Practice for Internal Audit in Local Government required that a risk-based approach be undertaken in the provision of internal audit reviews. That Code was identified in the Terms of Reference for Internal Audit as proper practice in the delivery of the Internal Audit service to both the Authority and the Executive.

The Audit Plan was derived from the development of a risk profile of Metro's activities. That approach had led to the production of the three year Strategic Audit Plan. The Plan combined reviews of systems and procedures operated jointly for the Authority and Executive along with other activities which were undertaken independently by each of those organisations.

Members were advised that the content and progress of work on the plan would be regularly reviewed and reported and that any changes required to address changing risks and audit priorities would only be made with the Authority's and Executive's approval.

**RESOLVED** - That the Annual Audit Plan commencing from April 2011, as detailed within the three year Strategic Internal Audit Plan, attached at Appendix 1 of the submitted report, be approved.

## 6. INTERNAL AUDIT PROGRESS REPORT

The Committee considered a report of the Internal Audit Manager on work undertaken by the Internal Audit section and key issues identified in the report.

It was noted that 8 areas of work had been reviewed since the last meeting and those were detailed in the report along with the audit opinion.

### AccessBus Vehicles – Asset Verification

It was noted that a sample of all Accessbuses operated on behalf of Metro by HCT Group in the Leeds District were selected from the Asset Register. Those vehicles were inspected and no discrepancies were identified.

### Care North

It was reported that an audit of expenditure incurred in respect of the Carbon Responsible Transport Strategies for the North Sea area (CARE NORTH) had been carried out for the period 1/10/2010 to 31/3/2011. Members were advised that €116,967 was eligible to be claimed by the Authority.

It was reported that in addition to the reviews completed, audit testing had been performed in relation to Travel Centre procedures, maintenance of Passenger Facilities, complaints processes and legislative compliance (Health and Safety). Details of any significant issues identified would be reported to the next meeting of the Committee.

**RESOLVED** - That the report be noted.

## **7. INTERNAL AUDIT – ANNUAL REPORT**

The Committee considered the annual report of the Internal Audit Manager which detailed work which had been undertaken and provided an overall opinion of the control environment.

It was noted that the report was a culmination of the work carried out during the course of the year and sought to:-

- Provide an opinion on the adequacy of the control environment.
- Comment on the nature and extent of the significant risk.
- Report the incidence of significant control failings or weaknesses.

The Committee was informed that from the work undertaken during the year, Internal Audit had reached the opinion that key systems were operating adequately and that there was no fundamental breakdown of controls resulting in material discrepancy.

### Risk Management Arrangements

It was reported that the risks relating directly to the operations of the Authority were reviewed and reclassified.

### Client Feedback

The Committee was advised that as part of Internal Audit's commitment to provide the highest professional standards and to ensure that they were continually improving the quality of work produced, a customer satisfaction questionnaire was issued at the completion of each audit assignment. Those responses had been analysed and indicated a good score in all criteria.

**RESOLVED** - That the report be noted.

## **8. REVIEW OF EFFECTIVENESS OF INTERNAL AUDIT**

The Committee considered a report of the Clerk and Chief Financial Officer on the effectiveness of the internal audit function as required under the Accounts and Audit (England) Regulations 2011.

It was reported that under the Accounts and Audit (England) Regulations 2011 there was a requirement for the Authority to review the effectiveness of its internal audit function at least once a year and that the findings of the review must be considered as part of the system of internal control.

The Committee were advised that the results of the effectiveness review were attached at Appendix A of the submitted report. The overall conclusion by the PTE Audit Committee was that the internal audit function was operating satisfactorily in accordance with the requirements of the regulations. However comment was made that there was always potential to make further improvements. A Covalent action had been identified for 2011/12 to consider how managers could make use of assurance mapping to strengthen the control environment.

**RESOLVED** - That the review of the effectiveness of the internal audit function carried out by the PTE's Audit Committee be endorsed.

## **9. INTERNAL CONTROLS AND FINANCIAL MONITORING**

The Committee considered a report of the Clerk and Chief Financial Officer on changes made to internal control arrangements and to consider the current financial position.

### Financial Monitoring (Revenue and Capital Budgets)

An updated position on both revenue and capital expenditure was attached at Appendices A and B of the submitted report.

#### (i) Revenue Budget

It was reported that the most significant changes from the 2011/12 approved budget was the reduction in the costs of tendered services due to the number of favourable contracts secured in the latter half of 2010/11. Members were also advised that there would be a need to use reserves in the current year and make significant budget savings during the next two years. Those options for savings would be presented to the next meeting of the ITA Executive Board.

#### (ii) Capital Budget

Members were given an updated position for the 2011/12 capital programme which set out the schemes that the Authority and the Executive was delivering directly and through the wider LTP programme. Comment was made that whilst total spend to date was low, it was being monitored by the Local Transport Plan Committee to ensure that projects would be delivered on time.

(iii) Risk Register

A copy of the Risk Register was attached at Appendix D of the submitted report. It was reported that there were no new risks or changes to risk since the last meeting.

**RESOLVED -**

- (i) That the report be noted.
- (ii) That a report setting out how risks were scored be prepared for the next meeting of the Committee.

**10. CODE OF CORPORATE GOVERNANCE**

The Committee considered a report of the Clerk and Chief Financial Officer on the revised Code of Corporate Governance.

It was noted that although the Code was not mandatory it was considered good practice for the Authority to have a Code of Corporate Governance which set out the principles of how the Authority was governed.

Members were advised that the revisions to the Code had been made to reflect the changes over the last two years particularly with regard to the changed committee structure, the new ITA policies and the ITA's new responsibilities arising from the Local Transport Act.

**RESOLVED -** That the revised Code of Corporate Governance be approved.

**11. FINAL ACCOUNTS OF THE AUTHORITY FOR 2010/11**

The Committee considered a report of the Clerk and Chief Financial Officer on the final accounts for 2010/11 for the Authority and the Treasury Management statement.

It was reported that the Accounts were accompanied by the necessary Capital Funding and Treasury Management Statement and the reaffirmation of the required prudential guidelines.

Annual Governance Statement

The Audit Commission presented the Annual Governance Statement which must be considered by members before the Accounts could be recommended for approval. They had concluded that the West Yorkshire Integrated Transport Authority had properly completed the accounts with no material errors and that risks had been properly dealt with. The Audit Commission

was intending to issue an unqualified audit opinion on both the accounts and the value for money conclusion.

### Letter of Representation

The Committee was advised that the letter of representation set out a number of standard declarations which confirmed that the Authority had provided all necessary information to the Audit Commission and disclosed all relevant issues and complied with all necessary requirements.

### **RESOLVED -**

- (i) That amendments to the revenue grant payable to the Executive to the exact figure of £156,642.755 be approved.
- (ii) That the capital grant to the Executive of £14,053,609 be approved.
- (iii) That the Treasury Management policy and prudential decisions, as detailed in Appendix 3 of the submitted report, together with the matters related to individual capital schemes in the report, including the methods of capital funding detailed in Appendix 2, be approved.
- (iv) That the capital expenditure in 2010/11 relating to individual schemes, as detailed in Appendix 2 of the submitted report, including the methods of capital funding, be approved.
- (v) That the Annual Governance Statement be noted.
- (vi) That the letter of representation be approved and signed by the Chair of the Authority and Clerk to the Authority.
- (vii) That the final accounts of the Authority for 2010/11 as detailed in Appendix 2 of the submitted report be approved and signed by the Chair of the Authority and Clerk to the Authority.