

## **Annual Governance Statement**

### **1. Scope of Responsibility**

The Authority is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Authority also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. In discharging this overall responsibility, the Authority is also responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of the Authority's functions including arrangements for the management of risk.

### **2. The purpose of the governance framework**

The governance framework comprises the systems and processes, and culture and values, by which the Authority is directed and controlled and its activities through which it accounts to and engages with the community. It enables the Authority to monitor the achievement of strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Authority's policies, aims and objectives, to evaluate the likelihood of those risks being realised and their impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at the Authority throughout the year ended 31 March 2008 and up to the date of approval of the financial statements.

### **3. The governance framework**

The key elements of the systems and processes that comprise the Authority's governance arrangements are as follows:

- a) Corporate policies and objectives set and communicated by the Authority.
- b) A number of levels of scrutiny exist for the activities of the Authority. Working Groups within the Authority consider policies and objectives and how these are implemented across all areas of their responsibility. Their work is in turn effectively scrutinised by, for example, the Association of West Yorkshire Authorities, the Local Transport Panel, Local Strategic Partnerships and the City Region Leader's Board. These provide a critical examination of all policies and objectives. Scrutiny committees within the Districts will also often challenge the work being undertaken by the Authority in such areas as accessibility and local bus services. The Passenger Consultative Committees in the Districts give a level of local involvement and allow the public the opportunity to scrutinise any new policy initiatives.

- c) An Audit Committee that undertakes the core functions as identified and measured through CIPFA's 'Audit Committees - Practical Guidance for Local Authorities.'
- d) Ensuring compliance with established procedures, laws and regulations
- e) Risk management being embedded in the activities of the Authority
- f) The financial management of the Authority, including financial controls and the reporting of financial transactions
- g) external reviews carried out by auditors and other agencies to achieve Chartermark, IIP and other accreditations thus creating a workplan for future improvements.

#### **4. Review of Effectiveness**

The Authority has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. This review is informed by the work of the Internal Audit section and that of management within the Authority who have responsibility for the development and maintenance of the internal control environment, and also by comments made by External Auditors.

The Authority has created a structure consisting of a series of specialist working groups covering all areas of its activities. These working groups develop policy and monitor its implementation receiving regular reports on all aspects of the Authority's business.

The Authority has in place a system based on a framework of standing orders, financial regulations and administrative controls including codes of conduct and administrative policies and procedures. All administrative controls and financial instructions are reviewed on a regular basis by the Authority's management and Internal Audit. Standing orders and financial regulations are also re-approved annually by the Authority. In terms of financial accounting the Authority utilises the core financial system of the Executive which is reviewed annually by Internal and External Audit. During the last year the Deputy Chief Financial Officer has provided to the Audit and Governance Committee a regular confirmation that key controls have been operating in the period.

The Executive's Internal Auditor is retained as the internal auditor for the Authority. He has drawn up an audit plan in consultation with the external auditor and is undertaking audit reviews. All such plans and reviews are submitted to the Clerk and the Chief Financial Officer and to the Audit and Governance Committee.

The work of Internal Audit is informed by an assessment of risk derived from a risk register linked to that of the Executive. The Authority and Executive have in place comprehensive risk management arrangements. The Executive Risk Management Group meets on a regular basis to consider the risks facing both the Authority and the Executive and to assess the action taken to minimise such risks. The results of the reviews of the Risk Management Group are included in separate and joint risk registers for the Authority and Executive which are regularly updated to take account of the changing risk environment. The Authority's Risk register is considered quarterly by the Audit and Governance Committee.

The Chief Internal Auditor for Strathclyde Partnership for Transport has performed a peer review of the internal audit function. This identified areas of good practice and suggested some minor improvements for consideration.

The Authority has reviewed the work of Internal Audit and concluded that it is satisfactory when assessed against the guidelines of the CIPFA Code of Audit practice. The most recent review was in June 2008.

The Authority considers the recommendations of the external auditor and other advice received.

## **5. Significant Internal Control Issues**

This section considers any significant issues that have arisen during the year. This is by exception only.

A control weakness relating to the processing of ticket sales was identified during the year. A number of additional measures were introduced to detect any further potential anomalies in the system.

## **6. Conclusion**

Throughout 2007/08 the Authority has continued to demonstrate an ongoing commitment to best practice and good corporate governance consistent with the principles of the CIPFA/SOLACE Framework in Local Government. We are also satisfied with the improvements that are continuing under the guidance of the Audit and Governance Committee.

We are satisfied that an effective system of internal control has been in place throughout the financial year and is ongoing.

**Chairman**

**Clerk to the Authority**

**/09/2008**

**West Yorkshire Passenger Transport Authority**





