

WEST YORKSHIRE PASSENGER TRANSPORT AUTHORITY

AUDIT AND GOVERNANCE COMMITTEE

DATE: 14 MARCH 2008

AGENDA ITEM NO: **7**

SUBJECT: STATEMENT OF INTERNAL CONTROL

Report of the Clerk and Chief Financial Officer

1. MATTER FOR CONSIDERATION

- 1.1. To consider any changes to internal control arrangements since the approval of the Statement of Internal Control included in the 2006/07 accounts.

2. INFORMATION

- 2.1. The arrangements for internal control within the Authority are under constant review and being regularly updated. It is good practice, and a requirement of the regulations, that Members continuously monitor the arrangements and satisfy themselves that those arrangements are sufficiently robust and are operating satisfactorily.

Risk Matters (Appendix A)

- 2.2. The Risk Register for the Authority is attached as Appendix A. This is reviewed bi-monthly by officers jointly with the Executive's Risk Register. Both the Executive's and Authority's summaries of risks are in a similar format.
- 2.3. There has been no significant overall change in the risks identified, with the first three risks identified as 'red' and in need of constant watching. For each of them (Local Government Bill and Concessions) the situation is being specifically reviewed by the full Authority on an ongoing basis. The concessions are also referred to in the budget report.
- 2.4. Members are asked to note the Risk Register and its contents and to indicate if they consider any element to be incorrect or to require further monitoring.

Public Interest report on Merseytram

- 2.5. Members should be aware that a Public Interest Report has recently been issued by the Auditor of Merseytravel concerning their aborted Tram scheme. That report was extensive and together with its supplemental document ran to over 160 pages. In the report the auditor criticised four main aspects of the handling of the scheme, covering inadequacies in the management of risks including the commitment of

expenditure, financial reporting, relationships with district councils and governance arrangements.

- 2.6. Officers have reviewed the reports (which are available on www.audit-commission.gov.uk if members wish to read them) and are happy they are not directly relevant to the Leeds Supertram scheme. Indeed the recent National Audit Office report contained the following sentence in their draft version "The Audit Commission has commented that the project (*Leeds Supertram*) was managed and controlled in an effective way by Metro".
- 2.7. The matters raised in the Merseytram report have been referred to both the PTE Board and the NGT officer group for their review and action to ensure all appropriate matters are considered during the development of the NGT scheme.

Quarterly financial monitoring (Appendices B and C)

- 2.8. In accordance with current practice appendices providing capital and revenue expenditure monitoring statements are attached. Explanatory notes are included at the foot of each appendix and further information will be provided at the meeting as required.

Replacement of the SIC with an AGS

- 2.9. The Authority is required to prepare its accounts under the latest SORP (Statement of Recommended Practice). By the Accounts and Audit Regulations 2006 it is also required to have regard to 'proper accounting practices'. Whilst the 2007 SORP continues the requirement for a SIC (Statement of Internal Control) CIPFA, the body which defines 'proper accounting practices' has now re-assigned the definition to an Annual Governance Statement (AGS) instead.
- 2.10. This report to Members concentrates on the changes to the existing SIC but a new AGS will be developed for the next meeting of the committee to go with the annual accounts for 2007/08. The essential difference being that the SIC is a statement of all the control arrangements in force, how they are operating and being amended and developed whereas the AGS is much wider.
- 2.11. The AGS is based on the new CIPFA/SOLACE governance framework covering all the governance arrangements of an organisation including management practices as well as financial and other controls. It is a corporate statement affecting everyone in the organisation and is intended to be continuously reviewed throughout the year.
- 2.12. Since Members receive a regular SIC report which covers many aspects of the AGS including financial and other controls, governance arrangements, risks monitoring and so on it is expected that the change to the new document will be substantial. As stated the first AGS will be brought to the next meeting for Members consideration.

Changes to control arrangements

- 2.13. There have been no changes to the general internal control arrangements since the last meeting. There will, however, be some significant changes from April 2008 when the Assistant Director (Finance) takes over as Chief Financial Officer for the Authority. The new procedures and revised financial regulations are being written and they will be reported to the next meeting of the committee.
- 2.14. Currently regular reports are being made to the PTE audit committee who monitor the actions taken to ensure procedures and processes are both in place and up to date. Similarly a quarterly review meeting is taking place to review actions undertaken as well as to review the cash book and determine borrowing and investment transactions for the following quarter. These reviews indicate that all such controls are operating and are up to date.

3. FINANCIAL AND LEGAL IMPLICATIONS

- 3.1. None directly arising out of this report.

4. STAFFING IMPLICATIONS

- 4.1. None directly arising out of this report.

5. EQUAL OPPORTUNITY IMPLICATIONS

- 5.1. None directly arising out of this report.

6. RECOMMENDATIONS

- 6.1. That members note the report.

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