

Statement on Internal Control for 2006/07

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 ensuring that there is a sound system of internal control which facilitates the effective exercise of the Authority's functions and which includes arrangements for the management of risk.

2. The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risks of failure to achieve policies, aims and objectives; it 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 overall system of internal control has been in place at the Authority throughout the year ended 31 March 2007 and up to the date of approval of this annual report and accounts with elements being altered during the period to reflect changes being made to develop and improve the system.

3. The internal control environment

The key elements of the corporate governance and internal control environment include:-

- a) Corporate policies and objectives set and communicated by the Authority.
- b) Regular monitoring of achievement of the Authority's policies and objectives
- c) Ensuring compliance with established procedures, laws and regulations
- d) Risk management being embedded in the activities of the Authority
- e) The financial management of the Authority, including financial controls and the reporting of financial transactions
- f) 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 a continuous 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.

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 being 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 Authority has reviewed the work of Internal Audit and concluded that it is effective when assessed against the guidelines of the CIPFA code of Audit practice. The most recent review was in April 2007.

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

5. Internal Control

Throughout the year the Authority had in place a system based on a framework of standing orders, financial regulations and administrative controls including codes of conduct and accountability. Of these the Authority considered reports on the standing orders and financial regulations in July 2006; the Audit and Governance Committee received regular reports on the arrangements and considered a report on the other administrative and financial instructions which were reviewed and updated during the year.

6. Current Action Plan

This section summarises other issues that have been identified and considered during the year on which action is being further considered.

Corporate Governance

The structure of the Authority and its Working Groups was reviewed in 2006 and a new Audit and Governance Committee set up to monitor and review matters related to the annual accounts; all aspects of the Statement of Internal Control including the adequacy of internal control and risk arrangements; to consider all internal and external audit matters; to review the adequacy of policies and practices to ensure compliance with statutes and other guidance and to consider, monitor and respond appropriately to any externally proposed policy or legislative changes.

Review of Internal Controls

Apart from the regular review of the financial control procedures referred to above there are a number of other aspects on which action was undertaken in 2006/07. These include:

a revised joint code of conduct for Authority and Executive staff was developed and approved in 2006, a review of the members code is expected in 2007

a new Member/Officer protocol has been approved

staffing policies and administrative instructions including maintenance of procedures are under constant review

an internal comprehensive performance review in conjunction with the Audit Commission was completed in 2006 and will be repeated in 2007,

a revised service agreement under which Leeds City Council acts for the Authority in Treasury matters was signed in September 2006

there is a continuous development of the audit and risk management arrangements, including a quarterly assessment of the risk register

security has been reviewed and new arrangements are being introduced at the headquarters building (Wellington House)

All of these are either completed or currently underway.

6. Conclusion

From a review of the work undertaken by the Internal and External Auditors, the regular reports to the Audit and Governance Committee and ongoing discussions and reviews we have reached the opinion that the key systems are operating effectively and that there are no fundamental control weaknesses. We are also satisfied with the improvements that are continuing under the guidance of the Audit and Governance Committee.

Chairman

**K Preston
Clerk to the Authority**

**29 June 2007
West Yorkshire Passenger Transport Authority**