

WEST YORKSHIRE INTEGRATED TRANSPORT AUTHORITY
AT A MEETING OF THE AUDIT AND GOVERNANCE COMMITTEE
HELD IN WELLINGTON HOUSE, LEEDS, ON
TUESDAY 15 MARCH 2011

PRESENT: Councillor M Walker (Chair)

Councillors Y Crewe, C Greaves, A Longthorn, A Pinnock, E Smaje,
E Taylor and J Watmough

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

23. APOLOGIES FOR ABSENCE

None were received.

24. DECLARATIONS OF INTEREST

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

25. MINUTES

RESOLVED - That the minutes of the meeting held on 14 December 2010 be approved.

26. AUDIT PLAN 2010/12

The Committee considered a report of the Clerk and Chief Financial Officer on the audit plan for 2010/11 submitted by the Audit Commission.

Mr Dennis presented the Audit Commission's Audit Plan for 2010/11 which was appended to the submitted report. The Plan set out the duties and responsibilities of the Audit Commission, confirmed the audit fee for the year as unchanged from that proposed in last year's letter and set out the audit work and risks facing the Authority which could impact on the audit work. Furthermore, the plan provided a timetable of reports to be issued, key deadlines and details of the audit team.

Members noted that the timescales for formal sign off of the year end accounts by the Audit Commission were to be brought forward to enable the audit opinion to be issued by the end of July.

RESOLVED - That the Audit Commission's Audit Plan for 2010/11 be noted.

27. INTERNAL AUDIT REPORT

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

It was noted that five areas of work had been reviewed since the last meeting and those were detailed in the report with all areas being given a rating of substantial or adequate audit opinion.

- (i) Payroll
- (ii) Tendered Subsidised Bus Services
- (iii) Real Time Information System
- (iv) Main Accounting System
- (v) Debtors System

In addition to the reviews, audit testing had been carried out in relation to Prepaid Tickets and Concessionary Fares, Legislative Compliance (Freedom of Information Act), Corporate Governance (Scrutiny) and Risk Management and reports were currently being prepared. Details of any significant issues identified would be reported to the next meeting of the Committee.

The Committee was advised that a Value for Money review of processes employed for the identification and calculation of payments to operators in respect of concessionary fares reimbursements and prepaid tickets pool distributions had been completed. The PTE's Executive Board were currently considering their response to the report and the requirement for any subsequent action to be taken.

In response to a request for information about updating the real time system software to improve the reporting of cancellations, it was agreed that a note be circulated to members of the Committee providing an update on the current position.

RESOLVED - That the report be noted.

28. 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.

With regard to the revenue budget it was reported that the main challenge facing the Authority over the next 3 years would be how it managed the required savings.

It was noted that the final proposed capital programme for 2011/12 was to be considered, along with LTP3, by the ITA Executive Board on 25 March and would be reported back to the next meeting of the Audit and Governance Committee.

International Financial Reporting Standards (IFRS)

It was reported that the Authority was required to produce accounts in accordance with IFRS from 1 April 2011 and that a great deal of work had been done since November 2009 to manage the change from Local Authority Statement of Recommended Practice (SORP) to an IFRS based framework.

An assessment of the impact of IFRS on the Authority's accounts had highlighted only minor presentational changes to the income and expenditure account and balance sheet. However, significant changes were highlighted in the Executive accounts mainly around the treatment of leases and contracts, classification of property, employee benefits and accounting for capital grants which impacted on the group accounts of the Authority.

The main changes resulting from the conversion to the IFRS framework were to the ITA's group accounting policies and centred around the basis of preparation for the accounts and new classification of assets. There were no fundamental changes in the ITA's policies; they were however more detailed and expansive. Appendices C and D of the submitted report showed the old policies and the draft IFRS policies for comparison. The draft accounts incorporating those policies would be presented to the Committee in June for approval.

RESOLVED - That the report be noted.

29. RISK MANAGEMENT ARRANGEMENTS

The Committee considered a report of the Clerk and Chief Financial Officer seeking approval to a revised risk register for the Authority.

The current risk register was attached at Appendix A to the submitted report. It was noted that all risks had an acceptable level of residual risk other than that relating to future wider Governance arrangements, which continued to be closely monitored.

It was reported that the Executive and Authority's risk registers, which were managed by Metro's performance management system, Covalent, had been in existence for some years with the risks within them being updated over time to reflect changes within the organisations. It was apparent that the majority of the risks in the registers were well understood and well managed. With this in mind and as part of this year's business planning process, the Executive had undertaken a review of the risk registers with a view to presenting the information in a more useful format consisting of a few key risks that encompassed a number of risks within a particular area of work and provided better focus for management attention.

A review of the Authority's risk register identified that in order to simplify presentation the current risks could be translated to three new risks, as detailed in Appendix B. The revised presentation would make updating of risks less onerous and would allow mapping to relevant actions and controls.

Members asked that a 'direction of travel' indicator also be provided within the risk register.

RESOLVED -

- (i) That the Committee approve the risk register.
- (ii) That the revised risk register be submitted to the next meeting of the Committee.