

WEST YORKSHIRE INTEGRATED TRANSPORT AUTHORITY

AUDIT AND GOVERNANCE COMMITTEE

DATE: 15 DECEMBER 2009

AGENDA ITEM NO: 6

SUBJECT: INTERNAL AUDIT REPORT

Report of the Internal Audit Manager

1. MATTER FOR CONSIDERATION

- 1.1. To inform Members of the work undertaken by the Internal Audit section.

2. INFORMATION

- 2.1. This report provides details of work completed by the Internal Audit section and any key issues identified.
- 2.2. The Accounts and Audit Regulations 2003, as amended by the 2006 Regulations, establish requirements relating to systems of internal control and the review and reporting of those systems. Accordingly, the Authority must have in place a process for establishing, maintaining and reviewing the system of internal control and risk management. The regular reporting by the Internal Audit Manager forms part of that review.
- 2.3. The Internal Audit section have completed the following reviews since the last report to the Authority:
 - Tendered Subsidised Bus Services
 - MyBus
 - Legislative Compliance
 - Inventory of Office Equipment
 - Treasury Management
 - Debtors.
 - Creditors.

3. AUDIT OPINION

3.1. A summary of the overall audit opinion and details of any significant issues identified from these reviews are provided below.

3.1.1. Tendered Subsidised Bus Services

“Adequate Assurance”

This review focused on the procedures for inviting tenders, ensuring that the optimum solution is selected and accurately reported, timely award letters sent to operators and that the results of tenders are published in accordance with the Transport Act (1985).

Processes which identify instances where penalties and lost mileage charges should be deducted from operators payments were also examined.

Our opinion based on the results of work performed is that an acceptable control framework is in place. However some improvements to tender documentation, to provide greater clarity and more accurate tracking of contract awards, were identified.

3.1.2. MyBus

“Adequate Assurance”

This audit primarily considered the arrangements in place for issuing boarding passes, data collection, contract compliance and processes which support commercial hire.

The principle recommendation related to obtaining confirmation from operators that route specific risk assessments have been performed, maintained and updated on a regular basis.

The overall opinion is that systems were operating adequately.

3.1.3. Legislative Compliance

“Adequate Assurance”

The audit included a review of systems and procedures operating to ensure compliance with the principles of data protection, health & safety and freedom of information legislation. In addition, emerging environmental issues were considered.

Our opinion, based on the results of interviews and tests

performed, is that there is an acceptable control framework in place. Control weaknesses identified do not pose a significant risk.

3.1.4. Inventory of Office Equipment

“Adequate Assurance”

This report was prepared to enable Metro to be aware of the accuracy and adequacy of information provided by all departments in respect of office equipment.

Audit testing concentrated on high value portable equipment such as laptop computers and mobile phones.

All laptops checked were present. However, in some instances minor differences did exist between records held within the ICT department and details provided on inventory forms submitted.

It was agreed that remedial action be taken to ensure that changes to the allocation of laptops be communicated to ICT on a timely basis.

3.1.5. Treasury Management

“Substantial Assurance”

This review assessed the systems which enable Metro to manage funds, borrowing and investments. Particular attention was given to the suitability and reliability of financial information and controls operating which substantiate these transactions.

The review did not include testing of aspects of the process operated by Leeds City Council under a service level agreement. However assurances provided by LCC including the certification of financial information provided to the Authority and the opinion issued by the council’s internal audit section were inspected. In addition, controls established independently by Metro to validate these transactions were found to be operating effectively.

There were no significant issues resulting from the review of the treasury management system which require remedial action.

Debtors

“Substantial Assurance”

This audit considered arrangements in place for ensuring that

debtors are adequately processed. The review included an examination of procedures for the creation and authorisation of debtor invoices, receipting and allocation of income received and debt management.

Our opinion, based on the results of tests performed, is that there is a robust control framework in place for the processing and reporting of debtor transactions and accounts. All necessary controls were in place and found to be operating effectively.

3.1.6. Creditors

“Substantial Assurance”

The review focused on systems and procedures operating to enable Metro to record, authorise and make payments to suppliers of goods and services.

The results of audit tests indicated that there is a robust control framework in place for these systems and that substantial assurance can be provided.

4. WORK IN PROGRESS

4.1. In addition to the reviews completed audit testing has been performed in relation to Payroll, Main Accounting Systems, Human Resources and NGT Project Management. Internal audit reports are currently being produced for these reviews. Details of any significant issues identified as a result of these and other planned audits completed will be reported to the next meeting of the Audit and Governance Committee.

5. FINANCIAL AND LEGAL IMPLICATIONS

5.1. None relating to the internal audit section.

6. STAFFING IMPLICATIONS

6.1. None relating to the internal audit section.

7. EQUAL OPPORTUNITY IMPLICATIONS

7.1. None relating to the internal audit section.

8. RECOMMENDATIONS

8.1. That the report of the Internal Audit Manager be noted.

Clerk and Chief Financial Officer
West Yorkshire Integrated Transport Authority

APPENDIX A

Levels of Assurance for Internal Audit Reports

Assurance Level	Definition
Substantial	<p>There is a robust control framework in place for the system. All necessary controls are in place and are operating effectively. Any recommendations made are generally low risk and relate to enhancements of existing controls.</p>
Adequate	<p>There is an acceptable control framework in place. There may be some control weaknesses but the key controls are in place and operating effectively. However some changes to the controls and how they operate would be beneficial.</p> <p>An adequate opinion can only be given where a small number of controls are not always operating effectively provided there are no high risk recommendations.</p>
Qualified	<p>The service may be delivering its intended output but the controls in place for some elements of the system are not always appropriate or effective to ensure that this will continue to occur. Controls are not being consistently applied across all elements of the system. This could include breaches of policy and the risk of medium financial impact.</p> <p>A qualified opinion will be given if the areas where the controls are missing or not operational do not represent a significant risk to the system as a whole.</p>
No Assurance	<p>There is an inadequate control framework to ensure that the system can deliver its intended objectives. Controls are absent or not operating across the majority of the system. This will include significant breaches of legislation or the potential for significant impact on Metro such as large financial losses. The operation of the system is currently providing an unacceptable risk.</p>