

WEST YORKSHIRE PASSENGER TRANSPORT AUTHORITY

AUDIT AND GOVERNANCE COMMITTEE

DATE: 14 DECEMBER 2007

AGENDA ITEM NO: **6**

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 to the Statement of Internal Control included in the 2006/07 accounts.

2. **INFORMATION**

Background

- 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.
- 2.2. The auditors comments on the final accounts for 2006/07 are included in their annual audit letter elsewhere on the agenda and cover all aspects of their review of the Authority during the last year.

Changes to control arrangements

- 2.3. Since the last meeting the Authority has been reviewing its internal control procedures which it does on a regular basis. This year there have been few changes to the instructions which were reissued on 20 November. However, they will be re-written fundamentally from the 1 April 2008 when the DCFO retires and A Hirst takes over responsibility as CFO for the Authority.

Risk Matters (Appendix A)

- 2.4. 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 now in a similar format.
- 2.5. It is clear there have been problems with the terminology of the impact and likelihood of risks occurring. The register of the risks has therefore

been modified to include a traffic light style warning system where 'red' indicates a risk which must be constantly watched, 'amber' indicates there is an ongoing risk albeit not great and 'green' indicates that currently that risk is considered under control.

- 2.6. There has been no significant overall change in the risks identified. However, the first three risks are now identified as 'red' and need 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.
- 2.7. Members are asked to note the revised format of the Risk Register and its contents and to indicate if they consider any element to be incorrect or to require further monitoring.

Quarterly financial monitoring (Appendices B and C)

- 2.8. It has been agreed that each meeting of the committee will receive an update on the current capital and revenue spending of the Authority. However, it is clear that there are a number of timing issues involved which means that it is not always practical to provide an update at each meeting for the current year.
- 2.9. Since the committee has agreed to meet towards the end of each quarter it is suggested that monitoring reports be presented in accordance with the following procedure:
 - 2.9.1. **June quarter** – This meeting is early in the financial year and receives the final accounts for the previous year.
 - 2.9.1.1. The capital schedule will be meaningful as it can include expected spend and approvals by the Authority since the budget report in February.
 - 2.9.1.2. The revenue schedule is not normally updated this early in the financial year as staff will have been concentrating on closing the accounts. Additionally it could only reflect spend for the first two months of the year with the projection for the year being likely to be the same as the original budget.
 - 2.9.1.3. It is suggested therefore that only a capital schedule be presented to the June meeting.
 - 2.9.2. **September, December and March quarters** – To receive both capital and revenue schedules.
 - 2.9.3. Members are asked to consider the position of capital and revenue monitoring and to agree the above proposals.
- 2.10. Appendices covering the 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.

Financial control environment

2.11. 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 from this report.

4. STAFFING IMPLICATIONS

4.1. None directly arising from this report.

5. EQUAL OPPORTUNITY IMPLICATIONS

5.1. None directly arising from this report.

6. RECOMMENDATIONS

6.1. That Members note the report.

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