

WEST YORKSHIRE PASSENGER TRANSPORT AUTHORITY

AUDIT AND GOVERNANCE COMMITTEE

DATE: 24 SEPTEMBER 2008

AGENDA ITEM NO: **5.**

SUBJECT: FINAL ACCOUNTS 2007/08

Report of the Clerk and Chief Financial Officer

1. MATTER FOR CONSIDERATION

- 1.1. Consideration of the Auditor's comments and completion of the final accounts for 2007/08.

2. INFORMATION

- 2.1. Members at the meeting of the Authority on 30 June 2008 considered the final accounts for 2007/08 prior to their being audited. Those accounts have now been audited and a revised version is attached as Appendix C.
- 2.2. Appendix A is the auditor's report, entitled 'Annual Governance Report,' which must legally be considered before the accounts can be approved. The attached version is marked 'draft' but the final issued version will contain the same contents and will be available at the meeting.
- 2.3. Appendix B then contains the 'letter of representation' which the Authority is obliged to provide to the Auditor to give him comfort that the accounts contain all meaningful information and that he has been provided with everything necessary for his consideration of the accounts.

The Annual Governance report from the Auditor (Appendix A)

- 2.4. The Annual Governance Report (AGR) sets out any points that the Auditor wishes to make as a result of his audit of the accounts. It sets out a certain amount of standard information and then gives the audit opinion on both the accounts and on the value for money arrangements.
- 2.5. The conclusions in the AGR are positive, with an unqualified audit opinion being provided both on the accounts and on the value for money arrangements.
- 2.6. The Auditor has raised some points for Members to consider. On pages 5-6 he notes that the Authority follows the appropriate accounting guidance in preparing the accounts and will continue to

require access to updated guidance to do so next year. This will be addressed as part of the closedown arrangements for the accounts in 2009.

- 2.7. On page 7 the Auditor sets out two areas on which he requires a 'specific representation' within the letter of representation from the Authority (see 2.13 below). One is in respect of the completeness of prepaid ticket sales by third parties and the other is in relation to the technical accounting presentation of a £5m investment. Assurance on these issues is provided in the letter of representation and further information is set out below.
- 2.8. The Auditor is required to set out any 'errors' in the financial statements. On page 8 the Auditor states that the SORP (Statement of Recommended Practice) has not been fully adhered to in relation to an investment of £5m committed prior to 31 March but not undertaken until 1 April. According to changes introduced to the SORP this year this strictly should have been accounted for as though it had happened prior to the year end. This was discussed with the Auditors and it was agreed that such an adjustment would not serve to enhance the accounts and that the true view of the cash and investments is as currently shown. This explanation is provided in the letter of representation also.
- 2.9. The Auditor further explains on page 8 that an updated actuarial calculation was carried out on the Pension Fund deficit for the Executive which has led to changes in the group accounts. This does not impact on the results for the year.
- 2.10. On page 9 the Auditor raises 'other matters' which require consideration. The first of these relates to the completeness of income of prepaid ticket sales by third parties. The Executive has appropriate measures in place, including procedures and controls to monitor and record such income, and is able to provide assurance that the income in the accounts is materially correct. It will consider if there are any measures that could be undertaken by Internal Audit to further enhance these arrangements. This response is also included in the letter of representation.
- 2.11. Also on page 9 the Auditor recommends that the Authority consider developing a formal Code of Corporate Governance. This is not mandatory for the Authority but as many of the elements of such a Code are already in existence, for example, an Audit Committee, a risk register, Standards Committee, etc, a draft Code will be prepared to reflect best practice and brought to a future meeting for consideration.
- 2.12. On page 10 the Auditor refers to the calculation of the fair value disclosure. He confirms acceptance of the Authority's calculations in this regard.

Letter of representation (Appendix B and Appendix 1 of the AGR)

- 2.13. The attached letter has been produced to follow the content and format required by the Auditor. It sets out a number of standard declarations which effectively confirm that the Authority has provided all necessary information to the Auditors, disclosed all relevant issues and complied with all necessary requirements. There are two specific representations on page 4 which address the Auditor's query concerning the completeness of prepaid ticket sales by agencies and the application of the SORP to investments, as discussed above.

Final Accounts 2007/08 (Appendix C)

- 2.14. The final amended version of the Authority's 2007/08 accounts, as agreed with the Auditor, is attached as Appendix C. A number of minor amendments have been made to the accounts following discussions with the Auditors but none of these impact on the results for the year. The more significant of these amendments include some expansion to the Annual Governance Statement to reflect the governance arrangements in the Executive (as the financial accounts relate to the group, not just the Authority). There has also been a reclassification of interest due on long term loans from the creditors line in the balance sheet to the long term loans line to reflect the latest guidance from the SORP.
- 2.15. Members are asked to consider the revised accounts in conjunction with the Annual Governance Report from the Auditors and letter of representation and recommend that these be approved for signature by the Chair of the Authority and the Chief Financial Officer.
- 2.16. Once approved and signed there is a legal requirement that they be published by the end of September. This requirement is met by an announcement in the Yorkshire Post and by their posting onto the Internet.

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 the annual governance report be noted.

- 6.2. That the letter of representation be approved and recommended for signature.
- 6.3. That the accounts be approved and recommended for signature.

**Clerk to the Authority
Chief Financial Officer**

West Yorkshire Passenger Transport Authority