

# WEST YORKSHIRE PASSENGER TRANSPORT AUTHORITY

## AUDIT AND GOVERNANCE COMMITTEE

DATE: 28 November 2006

AGENDA ITEM NO: 9

### SUBJECT: INTERNAL AUDIT REPORT

#### Report of the Chief Internal Auditor

#### 1. MATTER FOR CONSIDERATION

##### 1.1. Purpose of Report

To inform members of the reviews undertaken by the Internal Audit section.

#### 2. INFORMATION

- 2.1. At the inaugural meeting of the Audit & Governance Committee, members requested that a regular report be brought to future meetings of the Group providing details of work completed by the Internal Audit section and any key issues identified.
- 2.2. This report provides an opportunity for the Authority to consider items which may form part of the Internal Audit Annual Report. That report includes a review of the overall control environment and identifies any issues which may require reporting in the Statement of Internal Control (SIC).
- 2.3. 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 managements. The regular reporting by the Chief Internal Auditor forms part of that review.
- 2.4. For the full SIC 2006/7 Internal Audit will also provide an opinion for the SIC based upon the risk based plan coverage during the year. That report will be produced in April/May 2007.
- 2.5. The Internal Audit section have performed reviews in the following areas of the Audit Plan 2006/7:
  - Purchasing & Procurement
  - Passenger Facilities Maintenance
  - Sundry Income

- Legislative Compliance
- Bus & Rail Survey Systems
- Inventory of Furniture & Equipment
- Financial Systems

## **2.6 Issues Arising**

The following section provides a summary of the more significant issues identified as a result of work undertaken by Internal Audit.

### **2.6.1 PTA/LCC Service Level Agreement**

At the date of the audit review, the agreement between the Authority and Leeds City Council for the provision of financial services had not been signed by the Council.

This agreement has now been completed and includes details of review, authorisation and certification of financial information provided to the Authority.

### **2.6.2 Review of Financial Controls**

The audit identified changes in the Authority's procedures for reviewing cash and bank accounts on a regular basis. Action has now been taken to review and regularly report on the operation of all key financial controls operated by the Authority.

### **2.6.3 Purchase Ordering**

The audit of Purchasing & Procurement systems identified a control weakness relating to the segregation of duties in the purchasing process. However, compensating controls are present and operate within the process which should detect any inappropriate expenditure. These measures include the monitoring of costs by assigned budget controllers, review of orders by the Purchasing section and the recording of computer and other high value electrical equipment on a subsidiary system.

### **2.6.4 Purchasing Strategy**

It was noted that, although the role of the Purchasing section had changed significantly due to the introduction of new systems, the Purchasing Strategy required updating to reflect these changes. This recommendation is now being implemented.

## **3. FINANCIAL AND LEGAL IMPLICATIONS**

3.1. None.

**4. STAFFING IMPLICATIONS**

4.1. None.

**5. EQUAL OPPORTUNITY IMPLICATIONS**

5.1. None.

**6. RECOMMENDATIONS**

6.1. That the report of the Chief Internal Auditor be noted.

**Chief Internal Auditor  
West Yorkshire Passenger Transport Authority**