



Tyne and Wear Integrated Transport Authority - Audit Committee

Meeting to be held on Monday 24 March 2014 at 10.00 am in a Committee Room, Civic Centre, NE1 8QH

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This agenda is available at www.twita.gov.uk

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Audit Committee Review of 2013/14 – Draft

The role of the Committee can be summarised as follows:

1. Provide independent assurance of the adequacy of the risk management framework and the associated control environment;
2. Provide independent scrutiny of the Authority's financial and non-financial performance to the extent that it affects the Authority's exposure to risk and weakens the control environment;
3. Oversee the financial reporting process.

Detailed roles and responsibilities for the Committee are agreed annually by the ITA and can be viewed on the ITA website at www.twita.gov.uk.

The Committee met three times during the year, in July and September 2013 and March 2014.

In 2013/14 the Audit Committee appointed two new Independent members, Mr Brian O'Doherty and Mr Rex Winter, to replace Mr Anthony Atkinson and Ms Elizabeth Green who stepped down from the Committee at the end of 2012/13.

During the year, the Committee monitored the work of Deloitte, the ITA's external auditors. This included reviewing their proposed audit plan, and the results of the annual audit of the accounts. The results of the audit were very positive, with no material adjustments required to the draft accounts and no recommendations for improvements made. Deloitte confirmed that in their view the authority achieved a good standard of financial reporting. Audit Committee reviewed the ITA's Annual Report and Accounts in detail, and recommended it to the Authority for final sign off. The Committee also considered the Annual Governance Statement and Local Code of Corporate Governance, which did not identify any significant weaknesses or areas for improvement.

As in previous years, the Committee monitored the performance of the Internal Audit function and, in particular, the outcome of individual audits as well as the annual report of the Head of Audit and Strategic Risk.

Also this year, the Committee considered updates on the proposals for the establishment of the Combined Authority which will take over the functions of the ITA early in 2014/15.



Members of the Authority in 2013/14

Independent members

M. Scrimshaw (Chair)

G. Clark (Vice-Chair)

B. O'Doherty

R. Winter

ITA members

B. Curran (Sunderland)

S. Lambert (Newcastle)

P. Maughan (Gateshead)

F. Miller (Sunderland)

A. Smith (South Tyneside)

Planning Report to the Audit Committee for year-ending 31 March 2014



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I am delighted to present this planning report for the 2013/14 audit of the Tyne and Wear Integrated Transport Authority. This report sets out our audit approach and the more significant areas where we will focus our attention this year.

David Wilkinson, Audit Partner



The big picture

The big picture

We have set out below an overview of the key developments at the Tyne and Wear Integrated Transport Authority (“the Authority”) and the more significant matters we have considered in developing this Audit Plan. We consider these matters as part of our audit risk assessment and this determines where we will focus our work. Details of the impact of these matters on our approach are set out in this Audit Plan.

Relevant developments

- The seven North East councils are currently awaiting approval from the Secretary of State to form a Combined Authority. As part of the formation of the Combined Authority, the Tyne and Wear Integrated Transport Authority (“the ITA”) will be dissolved and its functions transferred to the Combined Authority. The effective date for this transformation is likely to be 1st May 2014.
- For the ITA, gross expenditure as at February 2014 is £68.9m which is 92% of the revised budget for the year. This is in line with anticipated expenditure profiles. The outturn position is forecast to be in line with the budget.
- The Authority has made a lump sum payment of £9m to the Tyne and Wear Pension Fund during January 2014 paying down the historic pension deficit. The payment was made from both the ITA and the Tyne Tunnel reserves.

Key developments in financial reporting requirements

- Changes to the Code requirements include the classification, recognition, measurement and disclosure of post-employment benefits.
- Clarification regarding the frequency of revaluations for properties. This amends previous guidance to permit valuations to be carried out on a rolling basis only if revaluation of the class of assets is completed within a short period and provided that revaluations are kept up to date.
- Other smaller changes to presentation and disclosure matters in the financial statements.

Significant audit risks

- Recognition of Tyne Tunnel toll income;
- Accounting for the North East Smart Ticketing Initiative (NESTI) funding;
- Combined Authority; and
- Management override of key controls, as presumed by auditing standards.

A reminder of our conclusions in 2012/13

Our audit opinion, significant estimates and audit adjustments

In September 2013, we issued the Authority with an unmodified audit opinion on the financial statements. As a reminder, we have set out below our prior year consideration of your significant accounting estimates.

Description of the risk	PY Findings
Accounting treatment of the Tyne Tunnel Crossing	G
Accounting for the North East Smart Ticketing Initiative (NESTI) funding	G
Revenue recognition	G
Management override of controls	G
Combined Authority	G



No unresolved issues



Immaterial unadjusted items remaining



Material unresolved matter

Prior year adjustments and recommendations

There were no uncorrected misstatements identified which exceeded our clearly trivial reporting threshold during our 2012/13 audit. For 2012/13 this threshold was £176,000 (2011/12: £204,850).

There were no uncorrected disclosure deficiencies or control recommendations in prior year.

Changes in your Statement of Accounts

Changes in your Statement of Accounts



New reporting requirements

We welcome this opportunity to set out for the Audit Committee a summary of the latest developments in financial reporting which will impact this year end.

Change in Code of Practice on Local Authority Accounting requirements	Impact on the Authority
<ul style="list-style-type: none"> Post-employment benefits: changes have been made to Code requirements in respect of the classification, recognition, measurement and disclosure requirements introduced as a result of amendments to the relevant accounting standard. 	<ul style="list-style-type: none"> This is relevant to the Authority and will require a number of changes to the calculation and presentation of entries.
<ul style="list-style-type: none"> Accounting for business rates retention: the Code provides guidance on the accounting requirements arising from the localisation of business rates in England from 1 April 2013. 	<ul style="list-style-type: none"> This is not relevant to the Authority.
<ul style="list-style-type: none"> Dedicated Schools Grant (DSG) – there is a change in the disclosures for DSG. 	<ul style="list-style-type: none"> This is not relevant to the Authority.
<ul style="list-style-type: none"> Presentation of Financial Statements: the Code makes amendments to the format of the Comprehensive Income and Expenditure Statement. This is in respect of items that are potentially re-classifiable to Surplus or Deficit on the Provision of Services at a future time. Where authorities have these types of transactions, the items listed in Other Comprehensive Income and Expenditure must be grouped into those items that: <ol style="list-style-type: none"> will not be reclassified subsequently to the Surplus or Deficit on the Provision of Services; and will be reclassified subsequently to the Surplus or Deficit on the Provision of Services when specific conditions are met. 	<ul style="list-style-type: none"> Where authorities do not have such transactions, no change is needed to the format of the Comprehensive Income and Expenditure Statement. However CIPFA recommends in such circumstances that authorities clarify in their summary of significant accounting policies that, where this is the case, they do not have such transactions and have therefore not grouped the items in Other Comprehensive Income and Expenditure into amounts that may be re-classifiable and amounts that are not.
<ul style="list-style-type: none"> Revaluation of properties - Clarification regarding the frequency of revaluations for Property, Plant and Equipment which amends previous guidance to permit valuations to be carried out on a rolling basis only if revaluation of the class of assets is completed within a short period and provided that revaluations are kept up to date. 	<ul style="list-style-type: none"> This is relevant to the Authority, and management should consider the current frequency with which they revalue their assets.
<ul style="list-style-type: none"> Service Concession Arrangements (PFI and PPP Arrangements) – updates to ensure that provisions adequately reflect the grantor arrangements, particularly in relation to assets under construction and intangible assets. 	<ul style="list-style-type: none"> This is not relevant to the Authority.

Scope of work and approach

This section sets out our planned scoping for the audit of the Authority's financial statements. We discuss our determined materiality and confirm the level of unadjusted misstatements which we will report to you. We confirm the extent to which reliance will be placed on internal controls and how this decision has been reached.

Scope of work and approach

We have six key areas of responsibility under the Audit Commission's Code of Audit Practice

Financial statements

We will conduct our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISA (UK and Ireland)") as adopted by the UK Auditing Practices Board ("APB") and the Audit Commission's Code of Audit Practice. The Authority will prepare its accounts under the Code of Local Authority Accounting. There are no significant changes in respect of the scope of our work in relation to this area of responsibility.

Annual Governance Statement

We are required to consider the completeness of the disclosures in the Annual Governance Statement in meeting the relevant requirements and identify any inconsistencies between the disclosures and the information that we are aware of from our work on the financial statements and other work.

We will also review any reports from regulatory bodies.

Value for Money conclusion

The approach to local value for money (VFM) audit work at the Authority is specified by the Audit Commission.

Our VFM audit work will consist of the following:

- review of the annual governance statement (AGS);
- review the results of the work of the Audit Commission and other relevant regulatory bodies or inspectorates, to consider whether there is any impact on the auditor's responsibilities at the audited body; and
- undertake other local risk-based work as appropriate, or any work mandated by the Audit Commission.

Assurance report on the Whole of Government Accounts return

Whole of Government Accounts (WGA) are commercial-style accounts covering all the public sector and include some 1,700 separate bodies. Auditors appointed by the Audit Commission have a statutory duty under the Code of Audit Practice to review and report on The Authority's whole of government accounts return. Our report is issued to the National Audit Office ("NAO") for the purposes of their audit of the Whole of Government Accounts.

Scope of work and approach (continued)

Independence

We confirm we are independent of the Authority. We will reconfirm our independence and objectivity to the Audit Committee for the year ending 31 March 2014 in our final report to the Audit Committee. Appendix 1 sets out proposed fees for the year.

Approach to controls testing

As set out in "Briefing on audit matters" attached as Appendix 6, our risk assessment procedures will include obtaining an understanding of controls considered to be 'relevant to the audit'. This involves evaluating the design of the controls and determining whether they have been implemented ("D & I").

We will consider the results of our procedures in respect of the Authority's controls and the extent of any impact our findings have on our substantive audit procedures.

Obtain and refresh our understanding of the Authority and its environment including the identification of relevant controls

Identify risks and any controls that address those risks

Carry out 'design and implementation' work on relevant controls

If considered necessary, test the operating effectiveness of selected controls

Design and perform a combination of substantive analytical procedures and tests of details that are most responsive to the assessed risks

Using the work of internal audit

Scoping of material account balances, classes of transactions and disclosures

We perform an assessment of risk which includes considering the size, composition and qualitative factors related to account balances, classes of transactions and disclosure. This enables us to determine the scope of further audit procedures to address the risk of material misstatement. We will report to you any significant findings from our scoping work.

Liaison with internal audit

We have and will continue to liaise with the internal audit function on a constructive and complementary basis to maximise our combined effectiveness and eliminate duplication of effort. This co-ordination will enable us to derive full benefit from the internal audit function, its systems documentation and risk identification during the planning of the external audit to the extent we determine we can rely on their work.

The Auditing Standards Board has issued a revised version of ISA (UK and Ireland) 610 "Using the work of internal auditors". This prohibits use of internal audit to provide direct assistance to the audit. Our current approach to the use of the work of Internal Audit has been designed to be compatible with the new requirements, and will not change the existing scope of Internal or External Audit's work. However, this will prevent us from further increasing the extent of our use of Internal Audit's work in future.

Whole of Government Accounts

Auditors appointed by the Audit Commission have a statutory duty under the Code of Audit Practice to review and report on The Authority's whole of government accounts return. We will review the return to check consistency with the audited statutory accounts.



Significant audit risks

This section sets out our comments regarding the significant audit risks identified. We explain the nature of the risk itself, how these risks will be addressed by our audit work and any related presentational and/or disclosure matters within the financial statements.

Risk assessment is at the heart of our integrated audit approach as it is only with proper identification of the most significant audit risks, that we are able to provide the highest quality assurance in the most efficient and effective manner.

We perform an assessment of risk which includes considering the size, composition and qualitative factors relating to account balances, classes of transactions and disclosures. This enables us to determine the scope of further audit procedures to address the risk of material misstatement. We will report to you any significant findings from our scoping work.

We have estimated materiality of £3.3m (2012/13: £3.5m) based on forecast net assets for the year. We will report to the Audit Committee on all unadjusted misstatements greater than £165k (2012/13: £176k) and other adjustments that are qualitatively material.

1. Completeness of Tyne Tunnel Toll Income

For the Authority we consider that the specific revenue recognition risk relates to the completeness of Tyne Tunnel toll income.

ISA240 requirements

International Standards on Auditing (UK and Ireland) 240, "The auditor's responsibility to consider fraud in an audit of financial statements", requires auditors to perform certain audit procedures related specifically to fraud risk, and requires a presumption that revenue recognition is a key audit risk.

For the Authority we consider that the specific revenue recognition risk relates to the completeness of Tyne Tunnel toll income.

	2011/12	2012/13
Toll Income	£20.5m	£25.1m

We have identified completeness of the Tyne Tunnel toll Income as a significant risk due to the risks associated with cash handling.

Our approach

We will review toll income and the controls currently in place to ensure that the revenue is recognised correctly.

We will also perform tests of detail on the toll income to gain assurance over the completeness of this transaction stream.

2. Accounting for the North East Smart Ticketing Initiative (NESTI) funding

We consider a significant risk exists in relation to accounting for the NESTI funding as a result of the funding arrangements.

	2011/12	2012/13
NESTI contribution received in advance	£8.1m	£4.9m

Accounting for NESTI funding

Funding received from the Local Authorities is held on the balance sheet until the associated conditions, namely spend incurred on the NESTI project, are satisfied. The release of the funding will therefore need to be in line with the conditions attached to the funding. From prior year knowledge this is when it has been matched to relevant expenditure.

We have identified the accounting for the NESTI funding as a significant risk due to:

- the conditions attached to the funding; and
- the judgement involved around matching the funding to the relevant expenditure.

Our approach

We will review the expenditure against NESTI and perform a test of detail to ensure that the release of the funding is appropriate.

3. Combined Authority

As part of the formation of the combined authority, TWITA will be dissolved and its functions transferred to the combined authority.

Combined Authority

The seven North East councils (Durham, Gateshead, Newcastle, North Tyneside, Northumberland, South Tyneside and Sunderland councils) will form a combined authority in the near future. The authorities will work together through a governance model tailored to the issues, challenges and opportunities that are particular to the North East, in particular economic growth, transport and skills as areas of immediate priority.

As part of the formation of the combined authority, TWITA will be dissolved and its functions transferred to the combined authority.

We expect the 2013-2014 accounts to be prepared on the assumption that the function of the ITA will transfer to the new authority and therefore it is appropriate for these accounts to be prepared on a going concern basis.

We have identified the formation of the combined Authority as a significant risk due to:

- risk connected to the loss of key staff and members involved in the production and approval of the accounts and annual governance statements.

Our approach

We will continue to review the progress made in this area and the impact on TWITA.

We will review the controls managements have put in place to ensure accounts and the annual governance statements are prepared and approved after ITA is dissolved.

We will review the accounts to ensure additional disclosures are included within the 2013-2014 accounts disclosing the formation of the combined authority and the impact on TWITA.

4. Management override of controls

In accordance with International Standards on Auditing (ISA 240), we presume that there is a risk of fraud as a result of Management override of controls.

Our approach

- We will consider those significant accounting estimates, which may be subject to Management bias, as set out in the other risks described in this section.
- We will also perform focussed work on the testing of journals, significant accounting estimates, and any unusual transactions, including those with related parties.

Value for money conclusion

Value for money conclusion

Our work will focus on the extent to which the Authority has proper arrangements in place to secure value for money

Scope

Under the Code of Audit Practice 2010 we are required to include in our audit report a conclusion on whether the Tyne and Wear Integrated Transport Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources - this conclusion is known as “the VFM conclusion”.

The approach to local value for money (VFM) audit work at the Authority is specified by the Audit Commission.

Consistent with last year, our VFM audit work will consist of the following:

- review of the annual governance statement (AGS);
- review the results of the work of the Audit Commission and other relevant regulatory bodies or inspectorates, to consider whether there is any impact on the auditor's responsibilities at the audited body; and
- undertake other local risk-based work as appropriate, or any work mandated by the Audit Commission.

At this time we have not identified any local risk-based work, nor are we aware of any additional work mandated by the Commission. Our value for money work will also be carried out between July and September.

The findings from the final visit and VFM work will be presented at the Audit Committee meeting in September 2014.

Responsibility statement

Purpose of our report and responsibility statement

Our report is designed to help you meet your governance duties

What we report

Our report is designed to establish our respective responsibilities in relation to the financial statement audit, to agree our audit plan and to take the opportunity to ask you questions at the planning stage of our audit. We enhance this reporting with observations arising from our audit work and our Insight Plan performed to date which are designed to help the Members discharge its governance duties. Our report includes:

- Our audit plan, including key audit judgements and the planned scope and timing of our audit
- Key regulatory and corporate governance updates, relevant to you

What we don't report

- As you will be aware, our audit is not designed to identify all matters that may be relevant to the members.
- Also, there will be further information you need to discharge your governance responsibilities, such as matters reported on by Management or by other specialist advisers.
- Finally, the views on internal controls and business risk assessment in our final report should not be taken as comprehensive or as an opinion on effectiveness since they will be based solely on the audit procedures performed in the audit of the financial statements and the other procedures performed in fulfilling our audit plan.

Other relevant communications

- This report should be read alongside the supplementary "Briefing on audit matters" attached.
- We will update you if there are any significant changes to the audit plan.

We welcome the opportunity to discuss our report with you and receive your feedback.



Deloitte LLP

Chartered Accountants

Newcastle upon Tyne

27 March 2014

This report has been prepared for the Audit Committee, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose. Except where required by law or regulation, it should not be made available to any other parties without our prior written consent.

Appendices

Appendix 1: Independence and fees

We confirm we are independent of the Tyne and Wear Integrated Transport Authority.

As part of our obligations under International Standards on Auditing (UK & Ireland) we are required to report to you on the matters listed below:

Independence confirmation	We confirm we are independent of the Tyne and Wear Integrated Transport Authority and will reconfirm our independence and objectivity to the Audit Committee for the year ending 31 March 2014 in our final report to the Audit Committee.
Fees	Details of the non-audit services fees proposed for the period have been presented separately on the following page.
Non-audit services	In our opinion there are no inconsistencies between APB Revised Ethical Standards for Auditors and the company's policy for the supply of non-audit services or any apparent breach of that policy. We continue to review our independence and ensure that appropriate safeguards are in place including, but not limited to, the rotation of senior partners and professional staff and the involvement of additional partners and professional staff to carry out reviews of the work performed and to otherwise advise as necessary.

Appendix 1: Independence and fees (continued)

We have set out below our audit fees for 2013/14

The table below details our proposed audit fees for the year ending 31 March 2014 for those services for which we have been engaged as at the date of this report.

	Current year £'	Prior year £'
Fees payable in respect of our work under the Code of Audit Practice in respect of the Tyne and Wear Integrated Transport Authority's annual accounts, assurance report on the Whole of Government accounts and the value of money conclusion (note 1)	19,559	19,559

There are no non audit related fees for current year or prior year.

Note 1:

1. The fee excludes:

- any work in relation to providing any specific accounting or other views. Given the uncertainty of timing and input required, we will agree the scope of work and associated fee with you when you request the opinion;
- any additional work required to address questions and objections raised by local government electors which, due to uncertainty of timing and resource required, will be agreed separately.
- any work requested by you that we may agree to undertake. Each piece of work will be separately negotiated and a detailed project specification agreed with you; and
- value added tax which will be charged at the prevailing rate.

We have also assumed that:

- Internal Audit undertakes appropriate work on all systems, and good quality working papers and records will be provided by the agreed start date for the interim audit visit; and
- Good quality working papers and records will be provided to support the financial statements by the agreed start date for the final audit visit.

Appendix 2: Fraud: responsibilities and representations

As auditors, we obtain reasonable, but not absolute, assurance that the financial statements as a whole are free from material misstatement, whether caused by fraud or error.

Characteristics

- Misstatements in the financial statements can arise from either fraud or error. The distinguishing factor between fraud and error is whether the underlying action that results in the misstatement of the financial statements is intentional or unintentional.
- Two types of intentional misstatements are relevant as auditors – misstatements resulting from fraudulent financial reporting and misstatements resulting from misappropriation of assets.

Responsibilities

Your responsibilities

- The primary responsibility for the prevention and detection of fraud rests with Management and those charged with governance, including establishing and maintaining internal controls over the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations.

Our responsibilities

- We are required to obtain representations from your Management regarding internal controls, assessment of risk and any known or suspected fraud or misstatement.
- As auditors, we obtain reasonable, but not absolute, assurance that the financial statements as a whole are free from material misstatement, whether caused by fraud or error.
- As set out in Section 2 above we have identified the risk of fraud in revenue recognition and management override of controls as a key audit risk for the Authority.

- Our responsibilities and those of the Authority are explained in the Audit Commission's publication, 'The responsibilities of Auditors and of Audited Bodies – Local Government' issued March 2010.

Appendix 2: Fraud: responsibilities and representations (continued)

We make enquiries of Management, internal audit and the Audit Committee regarding fraud.

We will make the following inquiries regarding fraud:

Management	Internal Audit	The audit committee
<p>Management's assessment of the risk that the financial statements may be materially misstated due to fraud including the nature, extent and frequency of such assessments.</p> <p>Management's process for identifying and responding to the risks of fraud in the entity.</p> <p>Management's communication, if any, to those charged with governance regarding its processes for identifying and responding to the risks of fraud in the entity.</p> <p>Management's communication, if any, to employees regarding its views on business practices and ethical behaviour.</p> <p>Whether Management has knowledge of any actual, suspected or alleged fraud affecting the entity.</p>	<p>Whether internal audit, has knowledge of any actual, suspected or alleged fraud affecting the entity, to obtain their views about the risks of fraud, and to obtain status reports on fraud cases during 2013/14.</p>	<p>How the audit committee exercises oversight of Management's processes for identifying and responding to the risks of fraud in the entity and the internal control that Management has established to mitigate these risks.</p> <p>Whether the audit committee has knowledge of any actual, suspected or alleged fraud affecting the entity.</p>

We will request the following to be stated in the signed representation letter :

- We acknowledge our responsibilities for the design, implementation and maintenance of internal control to prevent and detect fraud and error.
- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- [We are not aware of any fraud or suspected fraud / We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and] that affects the entity or group and involves:
 - (i) Management;
 - (ii) employees who have significant roles in internal control; or
 - (iii) others where the fraud could have a material effect on the financial statements.
- We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.

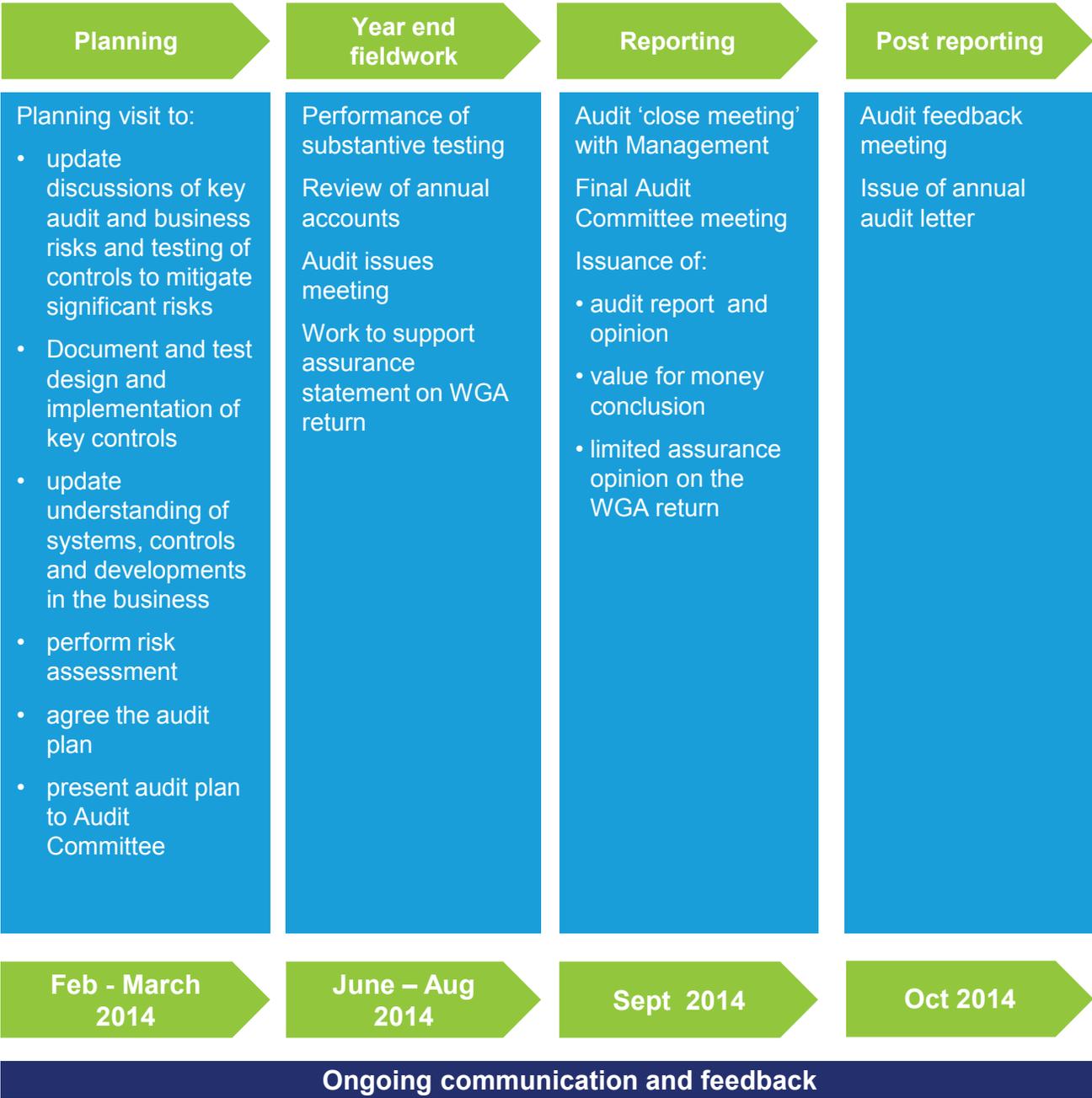
Appendix 3: Your audit team

We set out below our audit engagement team. We manage our audit on a basis that is consistent with prior year and draws on the expertise of our public sector group.



Appendix 4: Timetable

Set out below is the approximate expected timing of our reporting and communication with Management and those charged with governance.



Appendix 5: State of local public services



We summarise the outcome of our research which provides further context for our audit

During the spring and summer of 2013, Deloitte conducted detailed research to answer a simple question: what is the state of the UK state? As part of the research, we commissioned IPSOS MORI to capture the attitudes of people that run local public services. The results provide a snapshot of local services during a period of profound change.

We have summarised the key messages in relation to local public services below.

Overall

Overall chief executives told us that they feel their organisations are coping well and responding effectively to the challenging circumstances.

They also said that while the depth and speed of change has been difficult for staff, morale is holding up, although future cuts create understandable concerns.

Link between local economies and local services has moved up the agenda

Combined with cuts, the recession has put the health of local economies high on the agenda. Weak economic growth and unemployment has increased pressure on the local public sector as demand for spending has increased. This concern was a clear theme, particularly at a time when cuts are reducing capacity to provide. One police respondent reported that while crime was down overall, shoplifting for food has increased.

Local public service executives fear the impact of welfare reforms

Our research suggests that public service leaders are particularly concerned about the fallout from welfare reform. Some wondered if central government has assessed whether savings on welfare spending will be counterbalanced by increased demand on local services. This was particularly a concern for directors in childrens services where interviewees described rises in child protection cases. Many expressed concerns that cuts will affect their ability to invest in preventative services.

The people in our local public services are focused on opportunities – not just challenges

Our research showed that local public service executives see the current climate as an opportunity to refocus their services on residents' needs and outcomes, as well as to use creativity rather than resources to solve problems. One police respondent told us that in the past, additional finance would have been used to deliver change – but now, the force explores service redesign. On balance, interviewees felt that the opportunities of the coming five years outweigh the challenges.

Appendix 5: State of local public services (continued)



The game has changed – so have leadership priorities

When interview responses were collated, a striking trend emerged: organisational leaders are focused on their people and how they can be empowered to rise to their organisation's challenges. Public value is a notably important issue; a number of executives mentioned values – such as caring, fair and trusted – as being central to the public service ethos. At a time of public sector headcount reductions, interviewees spoke of the importance of attracting staff with the right skills.

A new public services landscape has brought a new set of risks

A number of interviewees told us about the advantages of public sector partnerships in delivering joined-up services, transferring knowledge and generating savings. Most thought that partnerships with the private and third sectors were also beneficial. They thought that cross-sector working brought specific benefits, including exposure to new ideas and new delivery models, efficiency and quality from private sector and local knowledge and niche services from the third sector. But many also recognised that commissioning and partnerships outside the public sector brought new, critical risks that needed to be managed.



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Briefing on audit matters

Published for those charged with governance

This document is intended to assist directors to understand the major aspects of our audit approach, including explaining the key concepts behind the Deloitte Audit methodology including audit objectives and materiality.

Further, it describes the safeguards developed by Deloitte to counter threats to our independence and objectivity.

This document will only be reissued if significant changes to any of those matters highlighted above occur.

We will usually communicate our audit planning information and the findings from the audit separately. Where we issue separate reports these should be read in conjunction with this "Briefing on audit matters".

Approach and scope of the audit

Primary audit objectives

We conduct our audit in accordance with International Standards on Auditing (UK & Ireland) as adopted by the UK Financial Reporting Council ("FRC"). Our statutory audit objectives are:

- to express an opinion in true and fair view terms to the shareholders on the financial statements;
- to express an opinion as to whether the accounts have been properly prepared in accordance with the relevant financial reporting framework;
- to express an opinion as to whether the accounts have been prepared in accordance with the Companies Act;
- to form an opinion on whether adequate accounting records have been kept by the company; and
- to express an opinion as to whether the strategic report and the directors' report are consistent with the financial statements.

Other reporting objectives

Our reporting objectives are to:

- present significant reporting findings to the directors. This will highlight key judgements, important accounting policies and estimates and the application of new reporting requirements, as well as significant control observations; and
- provide timely and constructive letters of recommendation to management. This will include key business process improvements and significant controls weaknesses identified during our audit.

Materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to monetary misstatements but also to disclosure requirements and adherence to appropriate accounting principles and statutory requirements.

Materiality (cont'd)

"Materiality" is defined in the International Accounting Standards Board's "Framework for the Preparation and Presentation of Financial Statements" in the following terms:

"Information is material if its omission or misstatement could influence the economic decisions of users taken on the basis of the financial statements. Materiality depends on the size of the item or error judged in the particular circumstances of its omission or misstatement. Thus, materiality provides a threshold or cut-off point rather than being a primary qualitative characteristic which information must have if it is to be useful."

We determine materiality based on professional judgment in the context of our knowledge of the audited entity, including consideration of factors such as shareholder expectations, industry developments, financial stability and reporting requirements for the financial statements.

We determine materiality to:

- determine the nature, timing and extent of audit procedures; and
- evaluate the effect of misstatements.

The extent of our procedures is not based on materiality alone but also local considerations of subsidiaries and divisions of the group, the quality of systems and controls in preventing material misstatement in the financial statements, and the level at which known and likely misstatements are tolerated by you in the preparation of the financial statements.

For local statutory reporting purposes, individual materiality levels will be set for each of the subsidiary companies.

Uncorrected misstatements

In accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK and Ireland)") we will communicate to you all uncorrected misstatements (including disclosure deficiencies) identified during our audit, other than those which we believe are clearly trivial.

ISAs (UK and Ireland) do not place numeric limits on the meaning of 'clearly trivial'. The Audit Engagement Partner, management and the directors will agree an appropriate limit for 'clearly trivial'. In our report we will report all individual identified uncorrected misstatements in excess of this limit and other identified errors in aggregate.

We will consider identified misstatements in qualitative as well as quantitative terms.

Audit methodology

Our audit methodology takes into account the changing requirements of auditing standards and adopts a risk based approach. We utilise technology in an efficient way to provide maximum value to shareholders and create value for management and the Board whilst minimising a "box ticking" approach.

Our audit methodology is designed to give directors and shareholders the confidence that they deserve.

For controls considered to be 'relevant to the audit' we evaluate the design of the controls and determine whether they have been implemented ("D & I"). The controls that are determined to be relevant to the audit will include those:

- where we plan to obtain assurance through the testing of operating effectiveness;
- relating to identified risks (including the risk of fraud in revenue recognition, unless rebutted and the risk of management override of controls);

Audit methodology (cont'd)

- where we consider we are unable to obtain sufficient audit assurance through substantive procedures alone; and
- to enable us to identify and assess the risks of material misstatement of the financial statements and design and perform further audit procedures.

Other requirements of International Standards on Auditing (UK and Ireland)

ISAs (UK and Ireland) require we communicate the following additional matters:

ISA (UK & Ireland)	Matter
ISQC 1	Quality control for firms that perform audits and review of financial statements, and other assurance and related services engagements
240	The auditor's responsibilities relating to fraud in an audit of financial statements
250	Consideration of laws and regulations in an audit of financial statements
265	Communicating deficiencies in internal control to those charged with governance and management
450	Evaluation of misstatements identified during the audit
505	External confirmations
510	Initial audit engagements – opening balances
550	Related parties
560	Subsequent events
570	Going concern
600	Special considerations – audits of group financial statements (including the work of component auditors)
705	Modifications to the opinion in the independent auditor's report
706	Emphasis of matter paragraphs and other matter paragraphs in the independent auditor's report
710	Comparative information – corresponding figures and comparative financial statements
720	Section A: The auditor's responsibilities relating to other information in documents containing audited financial statements

Independence policies and procedures

Important safeguards and procedures have been developed by Deloitte to counter threats or perceived threats to our objectivity, which include the items set out below.

Safeguards and procedures

- Every opinion (not just statutory audit opinions) issued by Deloitte is subject to technical review by a member of our independent Professional Standards Review unit.
- Where appropriate, review and challenge takes place of key decisions by the Second Partner and by the Independent Review Partner, which goes beyond ISAs (UK and Ireland), and ensures the objectivity of our judgement is maintained.
- We report annually to the directors our assessment of objectivity and independence. This report includes a summary of non-audit services provided together with fees receivable.
- There is formal consideration and review of the appropriateness of continuing the audit engagement before accepting reappointment.
- Periodic rotation takes place of the audit engagement partner, the independent review partner and key partners involved in the audit in accordance with our policies and professional and regulatory requirements.
- In accordance with the Ethical Standards issued by the Auditing Practices Board ("APB"), there is an assessment of the level of threat to objectivity and potential safeguards to combat these threats prior to acceptance of any non-audit engagement. This would include particular focus on threats arising from self-interest, self-review, management, advocacy, over-familiarity and intimidation.

Safeguards and procedures (cont'd)

- In the UK, statutory oversight and regulation of auditors is carried out by the FRC. The Firm's policies and procedures are subject to external monitoring by both the Audit Quality Review Team (AQRT, formerly known as the Audit Inspection Unit), which is part of the FRC's Conduct Division, and the ICAEW's Quality Assurance Department (QAD). The AQRT is charged with monitoring the quality of audits of economically significant entities and the QAD with monitoring statutory compliance of audits for all other entities. Both report to the ICAEW's Audit Registration Committee.

Independence policies

Our detailed ethical policies' standards and independence policies are issued to all partners and employees who are required to confirm their compliance annually. We are also required to comply with the policies of other relevant professional and regulatory bodies.

Amongst other things, these policies:

- state that no Deloitte partner (or any immediate family member) is allowed to hold a financial interest in any of our UK audited entities;
- require that professional staff may not work on assignments if they (or any immediate family member) have a financial interest in the audited entity or a party to the transaction or if they have a beneficial interest in a trust holding a financial position in the audited entity;
- state that no person in a position to influence the conduct and outcome of the audit (or any immediate family member) should enter into business relationships with UK audited entities or their affiliates;
- prohibit any professional employee from obtaining gifts from audited entities unless the value is clearly insignificant; and
- provide safeguards against potential conflicts of interest.

Remuneration and evaluation policies

Partners are evaluated on roles and responsibilities they take within the firm including their technical ability and their ability to manage risk.

APB Ethical Standards

The APB issued five ethical standards for auditors that apply a 'threats' and 'safeguards' approach.

The five standards cover:

- maintaining integrity, objectivity and independence;
- financial, business, employment and personal relationships between auditors and their audited entities;
- long association of audit partners and other audit team members with audit engagements;
- audit fees, remuneration and evaluation of the audit team, litigation between auditors and their audited entities, and gifts and hospitality received from audited entities; and
- non-audit services provided to audited entities.

Our policies and procedures comply with these standards.



DATE: 24 March 2014

SUBJECT: Internal Audit Progress Report

REPORT OF: Head of Internal Audit

PURPOSE OF REPORT

This report provides members with an update on progress against the Annual Internal Audit Plan 2013/14 and the position on the implementation of audit recommendations.

RECOMMENDATIONS

Audit Committee is recommended to note:

- Progress against the 2013/14 Audit Plan.
- The position on the implementation of audit recommendations.

BACKGROUND DOCUMENTS

Held by, and available from, the contact officers.

CONTACT OFFICERS

Philip Slater, Head of Internal Audit philip.slater@newcastle.gov.uk 0191 2776511
Ian Pattison, Principal Auditor ian.pattison@newcastle.gov.uk 0191 2776885

IMPACT ON OBJECTIVES

To support economic development and regeneration	Neutral
To address climate change	Neutral
To support safe and sustainable communities	Neutral

1 Executive Summary

This report shows Internal Audit activity since the last Committee meeting in September 2013 and summarises the following:

Details	Assessment	Comments
Progress against the Annual Audit Plan 2013/14 (see 3)	Good	Audit plan complete.
Implementation of recommendations (see 5)	Satisfactory	4 recommendations are outstanding past their due date.
Internal Audit Performance Indicators (see 7)	Good	Number of days utilised is in line with expectations.

2 Introduction and Background

- 2.1 At its meeting on 22 February 2013 the Audit Committee approved the Annual Internal Audit Plan 2013/14.

3 Progress against the Annual Audit Plan 2013/14

3.1 Completed Audits

Internal Audit have issued the following final reports since the last Audit Committee meeting:

Audit	Assessment
Risk Management	Good
Budgetary Control	Good
LTP Grant Certification	N/A
Treasury Management	Good
Local Sustainable Transport Fund	Good
Tyne Tunnels – Cycle and Pedestrian Tunnel Contract Monitoring	Good

Appendix I to this report summarises the work undertaken on the above audits together with our findings and recommendations.

- 3.2 The table below provides Committee with the current status of each audit in the 2013/14 plan.

Audit	Status
Risk Management	Good
Budgetary Control	Good
LTP Grant Certification	N/A
Treasury Management	Good
Local Sustainable Transport Fund	Good
Tyne Tunnels – Cycle and Pedestrian	Good



Tunnel Contract Monitoring	
Concessionary Travel	Good - Reliance upon Nexus Internal Audit work taken at year end.
Metro Re-invigoration	Good - Reliance upon Nexus Internal Audit work taken at year end.

4 Reliance on Newcastle City Council Financial Systems

4.1 TWITA uses a number of Newcastle City Council financial systems. Internal Audit undertakes audits of these systems on an annual basis which provides TWITA with assurance on the adequacy of the controls in operation. This work is currently on-going.

5 Recommendations Follow Up

5.1 Management is responsible for implementing all audit recommendations. Internal Audit follows up all high and medium priority recommendations to verify implementation. This provides assurance that those recommendations which are both fundamental and important to the Authority's system of control are addressed. As low priority recommendations are not vital to the Authority's system of internal control these are not followed up by Internal Audit.

5.2 TWITA management have taken appropriate action to address outstanding audit recommendations in respect of governance and oversight of LTP and LSTF funding. Operational requirements continue to be developed but will again be subject to review once the full implications of the combined Authority are worked through.

6 Internal Audit Performance Indicators

6.1 Internal Audit has a number of internal performance indicators agreed with the Committee. The table below shows the indicators used and our performance in 2013/14 to date. The figures shown in brackets represent the number of audits to which the performance indicator relates.

Performance Indicator	Target	Actual
Completion of the Annual Internal Audit Plan.	100% (5)	100% (5)
Average satisfaction survey score (maximum score 5) – See Note 1	4 (2)	4.5 (2)

Note 1 – the outstanding 3 surveys are not yet due for return

Summary of completed audits

Audit Work	Audit coverage	Assessment	Recommendations			
			High	Medium	Low	
Risk Management	To review the adequacy and effectiveness of risk management arrangements.	Good	0	0	2	
Effective controls and areas of good practice			Areas for further development			
<ul style="list-style-type: none"> • There is a practical and proportionate approach to risk management and the Strategic Risk Register is formally updated twice a year. • Appropriate officers co-ordinate risk management arrangements and compile the strategic risk register. • Audit Committee and the full ITA review and provide scrutiny of risk registers twice a year. 			<ul style="list-style-type: none"> ▪ No high or medium priority findings were identified. 			

Summary of completed audits

Audit Work	Audit coverage	Assessment	Recommendations			
			High	Medium	Low	
Budgetary Control	To review the adequacy and effectiveness of budgetary control arrangements.	Good	0	0	0	
Effective controls and areas of good practice			Areas for further development			
<ul style="list-style-type: none"> • Budget setting and monitoring arrangements are practical and proportionate for the organisation. • Budget monitoring is undertaken on a regular basis. • Budget monitoring reports are regularly produced and accurately reflect the information contained within the financial system. • Documented financial regulations are in place setting out high level expectations for budgetary control arrangements. 			<ul style="list-style-type: none"> ▪ No recommendations. 			



Audit Work	Audit coverage	Assessment	Recommendations			
			High	Medium	Low	
Treasury Management	To review the adequacy and effectiveness of treasury management arrangements.	Good	0	0	0	
Effective controls and areas of good practice			Areas for further development			
<ul style="list-style-type: none">• Appropriate governance arrangements have been established for ensuring effective scrutiny and approval of the treasury management strategy and policies.• The treasury management strategy and policy statement sets out the Authority's approach to risk management and limits for its treasury management activities, and this has been appropriately approved.• Interest on cash balances is appropriately and calculated and supported.			<ul style="list-style-type: none">▪ No recommendations.			

Summary of completed audits

Audit Work	Audit coverage	Assessment	Recommendations			
			High	Medium	Low	
Local Sustainable Transport Fund	To review the adequacy and effectiveness of the governance and monitoring arrangements for LSTF.	Good	0	0	0	
Effective controls and areas of good practice			Areas for further development			
<ul style="list-style-type: none"> • All projects are linked to an appropriate programme • All projects are assigned an appropriate project manager or lead officer • The full funding allocation can be accounted for against the various projects • Appropriate framework agreements are in place to deliver elements of the work • Framework agreements were subject to appropriate approval • Spend against framework agreements and the elements of work to which they relate is appropriately monitored • An appropriate mechanism is in place for checking and making payments against claims made by the partner organisations • The Project Vision system is updated regularly with progress on all projects and provides appropriate output reports for review by the Programme Board 			<ul style="list-style-type: none"> ▪ None raised 			

Summary of completed audits

Audit Work	Audit coverage	Assessment	Recommendations			
			High	Medium	Low	
Tyne Pedestrian and Cycle and Tunnels	To review the adequacy and effectiveness of contract management arrangements for the refurbishment of the Tyne Pedestrian and Cyclist Tunnels	Good	0	0	0	
Effective controls and areas of good practice			Areas for further development			
<ul style="list-style-type: none"> • Appropriate approvals were given to the original investment proposal, and then to the individual tender awards for the elements making up the works • Each of the elements of the works were subject to an appropriate tender and evaluation process, with both cost and quality taken into account • The procurement processes adhered to financial regulations and OJEU requirements • Information regarding progress and spend on the project is presented to the ITA on a regular basis • Financial information is available in sufficient detail to allow monitoring of the spend against budget by both the Service Manager and the Accountant • Appropriate approval was given to the recent budget change and the resultant increase in the budget was calculated following consultation with experts on each of the elements 			<ul style="list-style-type: none"> ▪ None raised 			

Summary of completed audits

Audit	Nexus Audit coverage	Assessment	Recommendations			Status
			High	Medium	Low	
Concessionary Travel	To review the fixed payment agreement with operators and to ensure that the four weekly returns and audit certificates from the major operators are complete, accurate and matched with Continuous Monitoring returns which show good correlation to support payments made.	Good	0	0	0	Audit complete, sample of payments checked in the year no problems noted
Areas of good practice			Areas for further development			
<ul style="list-style-type: none"> • Mazars (External Auditor) review procedures on an annual basis and update a control flowchart • Independent audit certificates are received from major operators to confirm the accuracy of the four weekly returns. • Fixed payments are agreed with the 3 major operators. <ul style="list-style-type: none"> ○ Budget certainty on both sides and assists to promote a stable network for our customers in Tyne and Wear; ○ Removes the risk of operator appeal and the associated costs and timeliness of the decision could affect both future budgets for both parties and have a consequential knock-on effect to secured services and commercial services, again affecting our customers; ○ Nexus ensure that ridership targets are met and if this goes below the 5% of the agreed target then a clawback payment is enforced. 			<ul style="list-style-type: none"> • Continuous Monitoring; surveys can be extended to include additional questions on journeys and possible increased passenger profiling which would give greater travel information and act as a further deterrent to reduce fraudulent travel • Smart Card technology; these will give further electronic data on passenger journeys frequency of travel to assist in data to support quality contracts ,voluntary contracts with operators and secured services (CT and Gold Cards) • Ticketing & Gating. This will assist in the reduction of fraudulent travel for metro and cross over services, project testing has been positive in the year 			



- Nexus utilise the DfT guidelines as to how to reimburse operators for concessionary passengers as the base document in assisting in the negotiations with operators to ensure we (Nexus) achieve best value on behalf of the Tyne and Wear districts which we represent.
- The negotiations involve some judgement, for example to calculate average fare, and Nexus utilise external consultants to both assist and give an independent assessment.
- Nexus Continuous Monitoring is used to correlate survey results with the four weekly returns from operators on revenue, mileage and total ridership.



Audit	Nexus Audit Coverage	Assessment	Recommendations			Status
			High	Medium	Low	
Metro Reinvigoration	<p>To ensure appropriate levels of controls and supervision have been exercised over the projects making up the Metro Reinvigoration programme and adequate records exist to support payments made in accordance with funding requirements. The elements of the Metro Reinvigoration linked to the Metro Operating Concession include:</p> <ul style="list-style-type: none"> • Delivery by the MC of the Metrocars ¾ life refurbishment programme; 43 of the 80 are now complete the target for completion is the end of 2015 • Facilitate the delivery of the Automatic Fare Collection project (“the 	Good	0	0	0	<p>Good progress made to date on both Metro Reinvigoration and the Concession. Nexus have met DFT spend target for 2012/2013 and progressing well for 2013/2014 to date. ie £36.9m is the forecast spend and to date the minimum spend for the year has been met to satisfy DFT conditions</p> <p>Review of the ¾ Life refurbishment of the Metro cars was undertaken in the year by Internal Audit payments were in accordance with agreement. Project reviews in the year carried out by audit have identified strong controls on payments ,coding and accuracy R</p>



	<p>AFC project”) by working in partnership with Nexus and its appointed contractors;</p> <ul style="list-style-type: none"> Facilitate the delivery of the Asset Renewal Programme (ARP) to programme by working in partnership with Nexus and its appointed contractors 					
<p>Areas of good practice</p>			<p>Areas for further development</p>			
<ul style="list-style-type: none"> Capital programme was submitted to and approved by the ITA. All expenditure (committed and actual) charged to capital projects was appropriate, monitored on a regular basis and reported to management. Capital funding reclaims were correct. Project slippage is monitored and reported to the ITA on a quarterly basis. Correct approvals for the individual schemes obtained. Competitive tenders were sought and appropriate contracts made. Adequate levels of supervision and control had been exercised during the contract period. Overall financial standing of the Metro ARP is understood and communicated to those charged with governance. Forecast overspends are identified, challenged and managed down. 			<ul style="list-style-type: none"> Constant dialogue with DfT on funding and budget virement. Stage Gate procedures continue to improve through the PMO involvement who are now under the Finance and Resources Directorate. <p>The creation of the Capital Delivery Team will achieve an effective resource in the delivery as certain track improvement throughout the system and result in financial savings and has worked well in 2013/2014</p>			



- | | |
|--|--|
| <ul style="list-style-type: none">• Payments are correctly allocated and adequate records exist to support payments made.• The Concession Agreement which commenced on 1 April 2010 between Tyne and Wear PTE and DB Regio Tyne and Wear Limited regarding the requirements and timetable for capital expenditure are comprehensive and subject to monthly review.• The scope of audit work carried out on an annual basis was in respect of fixed payments for variable and non-variable costs, penalty and reward clauses on performance and committed obligations for which penalties can be charged. | |
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DATE: 24 March 2014

SUBJECT: Internal Audit Annual Report and Opinion of the Head of Internal Audit

REPORT OF: Head of Internal Audit

If confidential, please indicate and state the reason for confidentiality.

PURPOSE OF REPORT

This report sets out the Internal Audit Annual Report and Opinion of the Head of Internal Audit as required by internal audit standards.

A summary of the work carried out by Internal Audit on which the opinion is based is set out in section 3.1 below which has been reported to managers and directors in audit reports and to Audit Committee at its meetings.

RECOMMENDATIONS

Audit Committee is recommended to:

- Receive and consider the Internal Audit Annual Report and Opinion of the Head of Internal Audit

BACKGROUND DOCUMENTS

Held by, and available from, the contact officers.

CONTACT OFFICERS

Philip Slater, Head of Internal Audit philip.slater@newcastle.gov.uk 0191 2776511

Ian Pattison, Principal Auditor ian.pattison@newcastle.gov.uk 0191 2776885

IMPACT ON OBJECTIVES

To support economic development and regeneration	Neutral
To address climate change	Neutral
To support safe and sustainable communities	Neutral

Summary of completed audits

1	Provisional Head of Internal Audit Opinion																		
1.1	<p>The Head of Internal Audit opinion is usually brought the Audit Committee in June each year to feed into the Annual Governance Statement and Final Accounts. Due to the introduction of the Combined Authority a provisional opinion is being presented to the March TWITA Audit Committee based on work completed. The majority of the audit plan for the year has been completed with the exception of the Creditors audit (this audit is within Newcastle City Council’s audit plan however reliance is placed upon it for the ITA). A final opinion will be given when all work is complete later in the year.</p> <p>The provisional opinion of the Head of Internal Audit based on the internal audit work carried out since the date of the previous Internal Audit Annual Report is that TWITA’s systems of control are good, i.e. the control environment throughout the year has been adequate and effective. The overall opinion for 2012/13 was satisfactory.</p> <p>No system of control can give absolute assurance against material misstatement or loss and, accordingly, this opinion does not provide such absolute assurance.</p> <p>There are no qualifications to the above opinion.</p>																		
2	Summary of audit work form which the opinion is derived																		
2.1	<p>Set out in Table 1 below are the Internal Audit reports which have been issued and reported to Audit Committee during the year. There are no high priority findings arising from audits and therefore no findings which impact upon TWITA’s Annual Governance Statement.</p> <p>Table 1 – 2013/14 Internal Audit Reports Issued</p> <table border="1"> <thead> <tr> <th>Audit</th> <th>Status</th> </tr> </thead> <tbody> <tr> <td>Risk Management</td> <td>Good</td> </tr> <tr> <td>Budgetary Control</td> <td>Good</td> </tr> <tr> <td>Treasury Management</td> <td>Good</td> </tr> <tr> <td>Local Sustainable Transport Fund</td> <td>Good</td> </tr> <tr> <td>Tyne Tunnels - Cycle and Pedestrian Tunnel Contract Monitoring</td> <td>Good</td> </tr> <tr> <td>Local Transport Plan Grant Certification</td> <td>N/A</td> </tr> <tr> <td>Concessionary Travel</td> <td>Good (Reliance upon Nexus Internal Audit work)</td> </tr> <tr> <td>Metro Re-invigoration</td> <td>Good (Reliance upon Nexus Internal Audit work)</td> </tr> </tbody> </table>	Audit	Status	Risk Management	Good	Budgetary Control	Good	Treasury Management	Good	Local Sustainable Transport Fund	Good	Tyne Tunnels - Cycle and Pedestrian Tunnel Contract Monitoring	Good	Local Transport Plan Grant Certification	N/A	Concessionary Travel	Good (Reliance upon Nexus Internal Audit work)	Metro Re-invigoration	Good (Reliance upon Nexus Internal Audit work)
Audit	Status																		
Risk Management	Good																		
Budgetary Control	Good																		
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Local Transport Plan Grant Certification	N/A																		
Concessionary Travel	Good (Reliance upon Nexus Internal Audit work)																		
Metro Re-invigoration	Good (Reliance upon Nexus Internal Audit work)																		
2.2	The 2013/14 audit plan has been completed and audit assessments relating to																		



2013/14 Internal Audit reports show that 5 reports were rated as good supporting an overall opinion for the year of good and effective systems being in place. Also both audits where reliance has been placed upon the internal audit work of Nexus have been assessed as good.

In addition to the above audits advice and guidance has been provided by Internal Audit to TWITA over the year on control and efficiency issues.

3 Reliance on Newcastle City Council Financial Systems

3.1 TWITA uses a number of Newcastle City Council financial systems. Internal Audit is currently undertaking audits of those systems in 2013/14 which provides TWITA with assurance on the adequacy of the controls in operation. The assessments given for each of those audits is shown below.

Audit	Assessment
Main Accounting (currently in draft)	Satisfactory
Creditors	Not yet completed

There are no significant issues to date impacting upon the arrangements operating for TWITA.

4 Internal Audit Performance

4.1 Internal Audit’s performance in completing audit work in the 2013/14 Plan has been reported to the Audit Committee throughout the year and final performance is shown in the Internal Audit Progress Report which is elsewhere on this agenda. All assignments have been completed against the 2013/14 plan.

Performance Indicator	Target	Actual
Completion of the Annual Internal Audit Plan.	100% (5)	100% (5)
Number of audit days provided in line with SLA activity, i.e. both direct and indirect audit work.	35	35
Average satisfaction survey score (maximum score 5) – note 1	4 (5)	4.2 (2)

Note 1 – the outstanding surveys are not yet due for return

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