



# **Tyne & Wear Integrated Transport Authority Standards & Audit Committee**

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**Meeting to be held in a Committee Room at Newcastle Civic Centre  
on Friday 8 January 2010 at 2.00 pm**

**Membership: Mr M Scrimshaw (Chair – Independent Member)**

**Councillors: Blackburn (Sunderland), Green (Gateshead), McMillan  
(South Tyneside), Stone (Newcastle) and P Wood (Sunderland)**

**Independent Members: Ms E Green, Mr A Atkinson and Mr G Clark**

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**Page**

**1. Apologies for Absence**

**2. Declarations of Interest of Council Members, Co-opted Members or  
Officers to be discussed at the meeting**

(If any Member has a personal/prejudicial interest please complete the appropriate form and hand this to the Democratic Services Officer before leaving the meeting. A blank form can be obtained from the DSO at the meeting).

Members are reminded to verbally declare their interest and the nature of it and, if prejudicial, leave where appropriate at the point of the meeting when the item is to be discussed

**3. Minutes of the meeting held on the 18th September 2009** **1 - 8**

**4. "Standards for England - 2009 Annual Assembly of Standards  
Committee"** **9 - 12**

Report of the Head of Legal Adviser & Monitoring Officer

**5. Training DVD from the Standards Board - "Assessment made clear.  
Local Assessment of Complaints"**

The above DVD will be shown at the end of the meeting.

**6. Budget Forecast 2010-11** **13 - 20**

Report of the Deputy Clerk and Treasurer to the ITA

7. **Revenue Budget Monitoring Report (April - October 2009)** 21 - 28

Report of the Deputy Clerk & Treasurer to the ITA

8. **Annual Inspection & Audit Letter** 29 - 42

Report of the Deputy Clerk & Treasurer to the ITA

9. **Internal Audit Progress Report** 43 - 54

Report of the Interim Chief Internal Auditor

10. **External Audit Progress Report** 55 - 68

Report of the Deputy Clerk & Treasure to the ITA

11. **Issues Members Wish to Raise from Previous ITA Agendas**

12. **Dates and Times of Future Meetings**

Members are requested to bring their diaries to the meeting

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**NOTE: Under the Local Government (Access to Information) Act 1985 members of the public have a right to inspect any non-confidential background papers used in the production of a non-confidential report to the Authority. Requests for information should be made to the Department originating the report.**

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## **Tyne and Wear Integrated Transport Authority**

### **Standards and Audit Committee**

18 September 2009  
(2.00 pm – 3.40 pm)

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#### **Present:**

Mr M Scrimshaw (In the Chair)

**Councillors:** Blackburn and P Wood

#### **Independent Members:**

Ms Green, Mr Atkinson and Mr Clark

#### **In Attendance:**

P Woods	- Deputy Clerk and Treasurer to the ITA
I Poll	- Head of Democratic Services
S Wood	- Internal Audit
D Hasnip	- Audit Commission
F Hussain	- Strategic Risk Manager
I Pattison	- Internal Audit
G Haggerston	- Democratic Services

#### **12. APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillors Stone and Green.

#### **13. MINUTES**

The minutes of the meeting held on 26 June 2009 were confirmed as a correct record and signed by the Chair.

#### **Matters Arising:-**

##### **(a) Standards and Audit Committee Work Programme 2008/09 and 2009/10**

(Minute no. 2(a) refers).

P Woods indicated that he now had copies of the Code of Conduct and members should let him know if they wished a copy.

##### **(b) Annual Governance Statement 2008/09**



A member expressed his concern that one person served as both Deputy Clerk and Treasurer. He felt that these roles should be undertaken by two separate people. In response, P Woods indicated that a report was to go to the next ITA meeting proposing that Harvey Emms, who was a transport expert, take on the role of Deputy Clerk, which would leave him free to continue as Treasurer. It was noted that the Clerk to the ITA was the Council's Chief Executive.

A member pointed out that as the questionnaire scores shown are average scores there must be some higher and lower scores for each of the audits undertaken. The member queried how Internal Audit had responded to the results from questionnaire feedback. S. Wood stated that Internal Audit uses the questionnaires to improve and develop the Internal Audit service. Where the questionnaire score is 2 or less (out of 5), Internal Audit will contact the client to discuss his/her concerns in order to identify any areas where the Internal Audit service can be improved or developed. In the case of two audits carried out, where lower questionnaire scores were recorded, Internal Audit contacted the client to discuss issues relating to scoping of the audit work. Internal Audit found these discussions helpful and they have provided information which will help Internal Audit to develop its service in future.

**RESOLVED** – That

- (i) progress against the 2009/10 audit plan be noted;
- (ii) the position on the implementation of audit recommendations be noted.

16. **EXTERNAL AUDIT PROGRESS REPORT**

Submitted: Report of the Deputy Clerk and Treasurer (previously circulated and copy attached to Official Minutes).

D Hasnip from the Audit Commission introduced the report and indicated that work was complete in all areas apart from The Whole Government accounts, which were being worked on. So far no members of the public had been in contact regarding a challenge.

The 2009/10 high level plan had been amended. It was noted that a detailed plan was no longer produced and in future a high level plan would be produced and details added once the audit had been carried out.

P Woods advised that the Audit Commission were currently consulting on proposals to appoint Deloitte as the external auditor rather than the Audit Commission themselves. Newcastle City Council's auditing was moving to Deloitte and the Audit Commission considered that it may be useful for Deloitte to carry out auditing for the ITA as well. However, the Audit Commission would be retained as auditors for Nexus. The Treasurer had no adverse comments regarding the move to Deloitte in 2010/11, and lessons learnt from the transfer of Newcastle City Council to Deloitte in 2009/10 could be taken on board for the ITA transfer.



**RESOLVED** – That the information provided be noted.

19. **AUDIT COMMISSION – ANNUAL GOVERNANCE REPORT 2008/09**

Submitted: Report of the Deputy Clerk and Treasurer (ITA) (previously circulated and copy attached to Official Minutes).

D Hasnip indicated that he was planning to issue an unqualified opinion on the Authority's amended 2008/09 financial statements. It was noted that there had been a number of minor errors which in some cases were due to proof reading issues.

It was noted that the last declaration of interest was made in June 2008 and had not been updated for the 2008/09 statements. Members were advised that this needed to be carried out on an annual basis. I Poll commented that the delay had arisen due to the work around the European elections, and it was noted that the annual declaration was produced by Newcastle City Council from individual member's declarations.

In conclusion, D Hasnip advised that there were no adverse findings to report.

The Chair queried where he could find the value for money criteria. In response, D Hasnip indicated that he could provide more information if required.

A member queried whether the minor errors had been challenged by the Authority. In response, P Woods indicated that this had been a very positive audit and challenges had been raised where it was felt items had been properly accounted for, and changes made where necessary.

It was noted that Gold Cards were accounted for in the Nexus accounts, but the Tyne Tunnel permits were accounted for by the ITA.

P Woods indicated that he was happy to sign the draft letter of representation.

P Woods reported that as part of the restructure of the Council, all budget staff and accounting staff would be grouped together which would provide greater flexibility.

**RESOLVED** – That the contents of the Audit Commission's Annual Governance Report for 2008/09 be noted.

20. **ANNUAL GOVERNANCE STATEMENT 2008/09**

Submitted: Report of the ITA Officer Co-ordination Group (previously circulated and copy attached to Official Minutes).

F Hussain introduced the report and indicated that the review had highlighted one area of significant weakness and four areas which required significant improvement. However, a number of issues had improved and therefore should be removed from the statement.

The Chair indicated that item (a)(i) in section 6 of the report (regarding embedding the recently revised Terms of Reference and Work Programme) seemed to contradict the improvement detailed in item (b)(ii) (around increased focus on governance and internal control). The Chair also commented that the weakness identified around embedding the recently revised Terms of Reference and Work Programme did not indicate what action was required. P Woods requested that a revised form of words be drawn up and shared with the Chair prior to the next ITA meeting.

The Chair requested that the reference to 'citizens' in the report be changed and F Hussain indicated that she would alter this to refer to 'residents'.

A member commented that the ITA had responsibility for the Local Transport Plan and hoped the Scrutiny Advisory Committee would look at how this would work. The Chair commented that Standards and Audit should not replicate what other Committees were doing, but asked that the Terms of Reference be included on the agenda for discussion at a future meeting.

#### **RESOLVED – That**

- (i) it be agreed the Annual Governance Statement (as attached in Appendix A to the report) continued to represent a fair reflection of the ITA's governance and internal control environment during 2008/09 subject to:-
  - (a) deleting the following paragraph from the end of Section 5: 'The findings of this review are subject to complete of the 2008/09 external audit plan', and
  - (b) deleting reference to 'Acting' from the Clerk's signature at the end of Section 7;
- (ii) the AGS be recommended to the ITA for final approval as part of the Final Accounts 2008/09;
- (iii) a report be brought to a future meeting for discussion regarding the Terms of Reference.

#### **21. ANNUAL REPORT AND ACCOUNTS 2008/09**

Submitted: Report of the Deputy Clerk and Treasurer (ITA) (previously circulated and copy attached to Official Minutes).

P Woods indicated that a small change was required on page 16 of the Annual Report and Accounts 2009 document. A revised page was circulated at the meeting (copy attached to Official Minutes). This change was in the first two lines of the table detailing employees and pensions in year position against budget for the Tyne Tunnel. There was a £3,000 difference in the way the figures had been presented





acknowledgement that owners of the risk had signed up to it.

24. **DATES AND TIMES OF FUTURE MEETINGS**

P Woods indicated that there was a need to discuss issues around the Strategy before the ITA agreed its levy. The ITA was due to meet in January 2010 to discuss this matter and he suggested that the Standards and Audit Committee meet prior to that date. The Chair asked that John Fenwick and the new Deputy Clerk be invited to attend this meeting.

**RESOLVED** – That the next meeting be held on 8 January 2010 at 2.00 pm.



## Tyne and Wear Integrated Transport Authority

ITA STANDARDS AND AUDIT COMMITTEE

8 JANUARY 2010

**TITLE:** STANDARDS FOR ENGLAND - 2009 ANNUAL ASSEMBLY OF STANDARDS COMMITTEES

**REPORT OF:** THE LEGAL ADVISER AND MONITORING OFFICER

### 1. Summary

1.1 This report updates members on some of the issues covered at Standards for England's recent event: *Bringing Standards into Focus*.

### 2. Recommendations

2.1 Members are recommended to note the report.

### 3. Background

3.1 Standards for England held its Annual Assembly of Standards Committees on 12 and 13 October 2009 in Birmingham. The title of the conference was *Bringing Standards into Focus*.

3.2 The Chair of the Committee attended the conference, together with a parish council member of Newcastle City Council's Standards Committee and an officer from Legal Services at the City Council.

3.3 The two day conference was made up of (a) presentations by speakers including the Chief Executive of Standards for England and (b) workshops and discussion forums.

### 4. The local standards framework

4.1 At the opening "State of the nation" session, delegates saw a short video presentation from Rosie Winterton, MP, Minister of State for Local Government.

This was followed by Dr Robert Chilton, the Chair of Standards for England, whose comments included his observations/thoughts on the future of the organisation.

4.2 Glenys Stacey, the Chief Executive of Standards for England, then addressed

the conference.

Ms Stacey reported that “standards of behaviour among members of English local authorities are generally high”. Ms Stacey said there are relatively low numbers of complaints against members - one for approximately every 25 members, on average each year – and a small number of these are found to be sufficiently serious to require the most severe sanctions (disqualification and suspension).

During 2008/09, 15 members were suspended or disqualified and, in a further 10 cases, members were suspended pending some action on their part (such as writing an apology).

The number of complaints is broadly consistent with previous years when they were all received by the Standards Board. More than half come from members of the public, and more than a third from members of the relevant authority.

While half of all complaints are dismissed at local assessment, significantly more than under the previous regime **are** being investigated. Two thirds of all those investigations are revealing no breach of the Code. Ms Stacey expressed concern about this and commented that “...collectively, too high a proportion of full-blown investigations that conclude there is no case to answer does damage to the reputation of the framework”. Standards for England will therefore be looking at this issue more closely during the coming year.

The Chief Executive then referred to various concerns which had been raised at last year’s conference. These concerns were identified as “hot topics” and Ms Stacey summarised the measures Standards for England has taken to address them. For example:

- Best practice – the annual return completed by each authority has helped it identify “notable practice”. Details are included in its Current Annual Review and on its new website.
- Other Action – it published specific guidance earlier in the year.
- Training – it has produced a new DVD on local assessment.

As for this year’s “hot topics”, the Chief Executive suggested that these included:

- The future of Standards for England following a general election.
- A Revised Code – this is due to be published “soon and to come into effect after the May 2010 council elections”.
- Risk – over the next year, it will be carrying out work to identify where risks to standards occur and working with authorities to minimise those risks.
- The quality of investigations, the cost of the local standards framework and the time taken to assess and investigate complaints.
- Vexatious/tit for tat complaints

Consequently, one of the key projects for Standards for England in the autumn is a review of the proportionality of the standards framework. It will then make recommendations to Government.

## 5. Other Issues

- 5.1 Other sessions included (a) a debate on “The local standards framework – force for good or necessary evil” and (b) a session about the experiences of authorities who had “returned from the brink of ethical collapse”.

## 6. Workshops

- 6.1 At various workshops and discussion forums, delegates considered aspects of the local standards framework. These break out sessions included “other action”, engaging leaders and embedding standards, managing investigations, local assessment, joint standards committees and “standards and partnerships”.

These sessions gave delegates an opportunity to share lessons learnt (as well as experiences generally) with other standards committee members and Monitoring Officers.

- 6.2 The Chair of the Committee was one of the speakers at the workshop on “Engaging leaders and embedding standards”, together with Dr Michael Macauley from Teesside University Business School and Georgina Butcher, an independent member of the standards committee at South Cambridgeshire District Council. He was also a speaker at the workshop on “Sharing Good Practice”, along with three other independent chairs.

## 7. Conference Materials

- 7.1 Documentation, power point displays and other materials from the conference can be found at:

<http://www.annualassembly.co.uk/>

## 8. Background papers

List of background papers:- held by Legal Adviser and Monitoring Officer on file XPA00007

1. Standards For England – conference materials
2. Standards for England- “The Standard”

## 9. Contact officer

Helen Wilson, Solicitor, 0191 2115110

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## Tyne and Wear Integrated Transport Authority

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**TITLE:**            **Date 8 January 2010**  
**Budget Forecast 2010-11**

**Report to**        **STANDARDS & AUDIT COMMITTEE**

**REPORT**        **THE DEPUTY CLERK AND TREASURER (ITA)**  
**OF**

**Reasons for confidentiality (if confidential)**

**District Implications-all**

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**1.            Summary / Purpose of Report**

1.1        The purpose of this report is to provide members with an update on the budget forecast for 2010/11.

**2.            Recommendations**

2.1        The Committee is recommended to note the attached report that was considered by the Tyne & Wear leaders group on the 18<sup>th</sup> December 2009.

**3.            Introduction / Background**

3.1        As part of the Budget process the budget forecast is considered by Tyne & Wear leaders group prior to finalisation of the Budget Strategy report

The Authority will consider the budget strategy report for 2010/11 at their meeting of the 28 January 2010.

**6            Background Papers**

6.1        Budget Strategy working Papers

**7            Contact Officer (s)**

7.1        Marilyn France 0191 211 6670

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# Tyne and Wear Integrated Transport Authority

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**Report by:** Paul Woods, Treasurer to the Tyne & Wear ITA

**Subject:** Budget Forecast for 2010/11

**Date:** 18 December 2009

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## 1 Purpose of the Report

This report sets out the draft Budget requirements for the ITA in 2010/11 and future years.

## 2 ITA Levy Increase

2.1 When the 2009/10 ITA budget was agreed it was decided to seek to reduce the potential levy increase for 2010/11 from 3% to 1.5%, with up to 4% thereafter. In view of the budget guidance issued in September, the 2010/11 budget is being prepared on the basis of achieving the limitation of levy increase to 1.5% through the delivery of efficiency savings. If this is achieved it would represent a cash increase of £ 1,059,690.

2.2 There are however significant uncertainties facing both the ITA and Nexus in future years which makes it much less certain that a cash freeze on the levy can be achieved for 2011/12 onwards, as balances of the ITA would be required to be utilised in all three years. The uncertainties that the ITA and Nexus are currently evaluating include:-

- Uncertainties about the level of cost pressures on concessionary fares – for the elderly and disabled, The Distribution of the Concessionary fares is subject to review after 2010/11 and there is uncertainty about the level of the RPI inflation impacting on fare levels and the changes in fuel costs which influence the concessionary fare pressures.
- inflationary pressures that are currently significantly in excess of the proposed freeze in the levy, particularly in regard to contracted services where there will be a considerable impact in regard to secured bus services and link up. Secured Services Growth would have to be identified as being funded from efficiencies;
- In addition, metro is also facing significant price increases, particularly in relation to high voltage power costs, necessary to drive the system; and

- The impact of continued low interest rates on the level of interest on investments and balances, which has a potentially significant impact for the ITA.

At this stage it would therefore be prudent to consider a one year firm budget position for the 2010/11 levy only, with an indicative position for future years which would be reviewed during 2010.

2.3 The following table shows the impact of achieving a levy increase of only 1.5% for 2010/11. The table shows the impact on the 2008 mid year population estimates which must be used for the distribution of the ITA levy as a restatement of the 2009/10 levy. The impact of a 1.5% levy increase is shown together with the overall change from 2009/10 to 2010/11.

The figures are provided for information only at this stage.

**Indicative Levy Position for 2010/11**

	<b>Original Levy 2009/10</b>	<b>Restated Levy for 2009/11</b>	<b>1.5% Inflation</b>	<b>TOTAL 2010/11</b>	<b>Change - Original 2009/10 to 2010/11</b>
	£	£	£	£	£
Gateshead	12,353,649	12,314,917	184,724	12,499,640	145,991
Newcastle	17,612,867	17,677,656	265,165	17,942,821	329,954
North Tyneside	12,710,316	12,747,813	191,217	12,939,030	228,714
South Tyneside	9,792,131	9,795,075	146,926	9,942,001	149,870
Sunderland	18,177,049	18,110,552	271,658	18,382,210	205,161
	<b>70,646,012</b>	<b>70,646,012</b>	<b>1,059,690</b>	<b>71,705,702</b>	<b>1,059,690</b>

**3.0 Budget Forecasts**

3.1 Appendix 1 details the proposed budgets for 2010/11 and also a revised forecast for 2009/10.

3.2 Current projections suggest that ITA expenditure will be lower than budget during 2009/10. This is due to savings arising from rescheduling of debt within the financial year. In 2010/11 the savings on financing charges continues and efficiency savings of 4% have been included.

**4 Changes between the Budget agreed for 2009/10 and the budget proposal for 2010/11**

	Base Budget 2009/10	Base Budget 2010/11	Change
ITA	£3,999,020	£ 3,964,920	(£34,100 )
Nexus Grant	£67,595,042	£ 68,554,732	£959,690
Levy	(£ 70,646,012)	(£ 71,705,702)	(£1,059,690)
Contribution to/(from) reserves	(£948,050)	(£813,950)	£134,100

There are three elements to the ITA Revenue Budget (see Appendix 1)

- The ITA general admin costs (financing, pensions, members' expenses)
- Tyne Tunnel operational costs
- Grant To Nexus

**5 The ITA General costs**

The ITA costs for 2010/11 has decreased from £3.999m to £3.964m, The decrease is due to the significant reduction in the financing charges following a restructuring of debt. Efficiency savings of 4% have been included on staffing costs from the lead authority.

## **5.2 Tyne Tunnel operating costs**

The trading account reflects the costs of operating the tunnel with the concessionaire. All the costs will be funded from toll income and existing reserves.

The revised budget for 2009/10 reflects a reduction in the traffic through 2009/10 of approximately 2%, which is reflected in lower tolls income and a lower unitary charge to the concessionaire. It is anticipated that this reduction in traffic will remain for 2010/11

## **5.3 Grant To Nexus**

The grant to Nexus has been increased by £959,690 only despite the cost pressures of the implications of Concessionary travel, inflationary pressures as detailed in paragraph 2 of this report and additional work on the bus travel network.

## **6 ITA Reserves**

Appendix 1 shows the estimated level of reserves for the ITA, Tyne Tunnel and Nexus at the 31st March 2010 of £3.1m and the 31st March 2011 of £2.3m. This should be sufficient to allow limited use of reserves to minimise the levy increase in 2011/12.

## **7 Future Years Position**

The uncertainty in interest rates for future years and in the costs facing Nexus in relation to Concessionary Travel means that it is not possible to bring forward a firm levy proposal for 2011/12 at this point. The aim is to try and cash limit the levy at the 2010/11 for the next two years. At this point for planning purposes a cash limit is suggested. The position will be reviewed in early Autumn 2011 in good time for the preparation of 2011/12 budgets.

## **8 Next Steps**

The ITA will consider the budget on the 28th January 2010 taking into account any guidance from the Leaders.

## ITA Budget Forecasts - 2009/10 Revised and 2010/11 Original

	<u>OR Budget</u> <u>09/010</u>	<u>RE Budget</u> <u>09/10</u>	<u>Difference</u> <u>(OR to RE)</u>	<u>OR Budget</u> <u>10/11</u>
<b>PTA Summary</b>				
Grant to Nexus	£ 67,595,042	£ 67,595,042	£ -	£ 68,554,732
PTA Administration costs & Income	£ 3,999,020	£ 3,950,750	£ 48,270	£ 3,964,920
			£ -	£ -
Contribution To /(from) Reserves	(£ 948,050)	(£ 899,780)	£ 48,270	(£ 813,950)
PTA Levy on T&W Authorities	(£ 70,646,012)	(£ 70,646,012)	£ -	(£ 71,705,702)
<b>Breakdown of PTA Administration Costs &amp; Income</b>				
PTA Expenditure	£ 622,640	£ 626,530	£ 3,890	£ 608,850
PTA Scrutiny Committee	£ 6,700	£ 6,700	£ -	£ 6,700
Pension Deficiency Payments	£ 510,000	£ 510,000	£ -	£ 510,000
Financing Charges	£ 2,973,780	£ 2,929,520	£ 44,260	£ 2,874,370
Interest on Revenue Balances	(£ 114,100)	(£ 122,000)	£ 7,900	(£ 35,000)
	<b>(£ 3,999,020)</b>	<b>(£ 3,950,750)</b>	<b>(£ 48,270)</b>	<b>(£ 3,964,920)</b>
<b>Tyne Tunnels Trading Account</b>				
Unitary Charge	£ 2,999,000	£ 2,826,000	£ 173,000	£ 2,962,000
Tolls Income	(£ 13,691,000)	(£ 13,150,000)	£ 541,000	(£ 13,150,000)
Micellaneous income	£ 4,100	(£ 13,000)		£ -
Pensions	£ 586,060	£ 588,370	£ 2,310	£ 588,410
New Tyne crossing support services	£ 210,340	£ 262,350	£ 52,010	£ 246,750
Financing charges	£ 2,029,040	£ 1,883,720	£ 145,320	£ 3,589,850
Interest on Rev Balances	(£ 899,900)	(£ 1,020,000)	£ 120,100	(£ 483,000)
- Community Fund	£ 10,000	£ 10,000	£ -	£ 10,000
	<b>(£ 8,752,360)</b>	<b>(£ 8,612,560)</b>	<b>£ 156,900</b>	<b>(£ 6,235,990)</b>
<b>Reserves</b>				
	<u>Nexus *</u> <u>£000</u>	<u>Tyne Tunnel **</u> <u>£000</u>		<u>PTA</u> <u>£000</u>
Opening Balance at 1 April 2009	(£ 14,163)	(£ 15,968)		(£ 4,053)
Closing Balance at 31 March 2010	(£ 12,563)	(£ 24,581)		(£ 3,153)
Closing Balance at 31 March 2011	(£ 11,263)	(£ 30,817)		(£ 2,339)

\*Includes earmarked reserves of £9.963m

\*\*Tyne Tunnel reseves are to be used to finance the New Tyne Crossing.

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## Tyne and Wear Integrated Transport Authority

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**TITLE:** Date 8 January 2010

**REVENUE BUDGET MONITORING REPORT (APRIL 2009-OCTOBER 2009 )**

**Report to** STANDARDS & AUDIT COMMITTEE

**REPORT OF** THE DEPUTY CLERK AND TREASURER (ITA)

**Reasons for confidentiality (if confidential)**

**District Implications-all**

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### 1. **Summary / Purpose of Report**

1.1 The purpose of this report is to provide members with a revenue budget monitor report for the period April 2009 to October 2009.

### 2. **Recommendations**

2.1 The Committee is recommended to note the financial position as at 31 October 2009 set out in the attached report and attached appendices 1 and 2.

### 3. **Introduction / Background**

3.1 As part of the Budget Monitoring process the Authority receives regular budget monitor report, which shows actual expenditure against the approved Budget for the period.

The Authority considered the report for the period 1<sup>st</sup> April to 31 October 2009 at the meeting of the 26 November 2009.

### 6 **Background Papers**

6.1 Revenue Monitoring reports to October 2009

### 7 **Contact Officer (s)**

7.1 Marilyn France 0191 211 6670

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# Tyne and Wear Integrated Transport Authority

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**26 November 2009**

**TITLE: REVENUE BUDGET MONITORING REPORT (APRIL 2009 –October 2009 )**

**REPORT OF THE DEPUTY CLERK AND TREASURER (ITA)**

**Reasons for confidentiality (if confidential)**

**District Implications-all**

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## **1. Summary / Purpose of Report**

- 1.1 The purpose of this report is to provide members with a revenue budget monitor report for the period April 2009 to October 2009.
- 1.2 The monitor includes current financial information relating to ITA administration and financing and the Tyne Tunnels.
- 1.3 The report sets out expenditure to date and compares this with and the original estimate presented to the Passenger Transport Authority at its meeting of the 22 January 2009. It shows that the likely outturn position is anticipated to be within budget .
- 1.4 The report also provides an update on the level of the ITA's borrowing and lending for information.

## **2. Recommendations**

- 2.1 The Committee is recommended to note the financial position as at 31 October 2009 set out in this report and attached appendices 1 and 2.

## **3. Introduction / Background**

- 3.1 The budget monitor has been prepared by comparing the actual income and expenditure (analysed into ITA, and Tyne Tunnels) from April 2009 to October 2009 with the budget for 2009/10. Appendices 1 and 2 summarise the recorded spending position as at 31 October 2009
- 3.2 For the ITA, expenditure at £41.575 m is 58 % of the annual budget for the year, with no unexpected costs incurred to date. There is some variation in the %

spending on individual budget items, but this is broadly in line with expectation apart from the following -

- Support Services. – The majority of the costs of officer support activity of the ITA are charged into the revenue account in the second half of the year. Overall costs are expected to be in line with the budget.
- Interest on Revenue Balances – A review of expected interest received has been carried out and it is anticipated that the interest received balances will be within budget for the ITA and the Tyne Tunnels

It is anticipated that the likely outturn position will be within budget, based on the expenditure to date and the known commitments at this time

3.3 2009/10 is the second full year of the contract with TT2 for the operation of the Tyne Tunnels. Payment to TT2 is linked to the tolls income. For the first seven months of 2009/10 the position is summarised in Appendix 2, with key bullet points shown below -

- Toll income is collected by TT2 and paid to the ITA within 4 working days of being actually received. The monthly payment to TT2 is paid within 30 working days after the end of the relevant month.
- Net tolls income (tolls income received less payment to TT2) is within 2% of the budgeted net income for the first seven months of 2009/10.
- Actual traffic is approximately 2% lower than for the first seven months of 2008/09 which is reflected in the lower tolls income.
- Repairs and Maintenance expenditure relates to the major maintenance on the Pedestrian and Cycle Tunnel carried out by TT2 but rechargeable under the terms of the agreement to the ITA. This will be met from the Tyne Tunnel reserves.
- Other Expenses –this budget will be revised to reflect insurance costs and other costs not included in the original budget.

## **Treasury Management Update – Borrowing and Lending**

### Borrowing

3.4 1. The ITA's approved Authorised borrowing limit for the 2009/10 year is £278million and its Operational borrowing limit is £273 million. The level of external borrowing as at 31 October 2009 is £163.56million. This is within the limits agreed by ITA and has been throughout the year to date. This includes the money that the ITA needs to borrow to fund its share of the new Tyne tunnel contract. The average interest rate payable on the ITA's loans this year is estimated at 4.21%.

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**NOTE: Under the Local Government (Access to Information) Act 1985 members of the public have a right to inspect any non-confidential background papers used in the production of a non-confidential report to the Authority. Requests for information should be made to the Department originating the report.**

### Lending

3.5 The ITA has been lending in line with the limits agreed for individual institutions agreed by the ITA. Our lending at 31 October 2009 was £54.60m. This was lent to 5 UK Banks and Building societies (with deposits ranging from £2m to £12m). The ITA had not lent money to any Icelandic Banks and had not lent money to other foreign institutions. Normal loan periods range from overnight to 364 days. The average interest rate on investments is estimated at 4.03 % so far this year. Interest rates on new investments are falling. The amount of money that the ITA is lending out has reduced in 2009/10 as a result of debt repayment in order to manage the risk of the credit crunch and will reduce significantly once contract payments start to be made to the New Tyne Crossing concessionaire in 2010.

### 4. **Next Steps**

4.1 The budget and the ITA's treasury management position will continue to be monitored carefully by the Treasurer

### 5. **Further comments by the:**

- **Clerk** none
- **Treasurer** see main report
- **Legal Advisor**
- **Director General**

### 6 **Background Papers**

6.1 Revenue Monitoring reports to October 2009

### 7 **Contact Officer (s)**

7.1 Marilyn France 0191 211 6670

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**Appendix 1: ITA Revenue Budget Monitor for the Period April 2009 to October 2009**

Spend to 31st October 2009 (2009/10)	
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ITA	<u>Spend to 31.10.09</u>	<u>Budget</u>	<u>Spend against Budget</u>	<u>Expected Spend (%)</u>	<u>Notes</u>
	£	£			
<u>Revenue Expenditure</u>					
Travel Costs	1,608	4,000	40%	58%	
Supplies & Services	48,844	105,410	46%	58%	
Support Services	23,884	444,050	5%	0%	Primarily year-end expenditure
PTA Website Charges	20,329	34,850	58%	58%	
Pension Costs	274,766	510,000	54%	58%	
Grant to Nexus	39,430,440	67,595,040	58%	58%	
ITGA Subscription	40,036	41,030	98%	100%	Paid at commencement of year
Financing Charges	1,734,705	2,973,780	58%	58%	Based on estimate
	<u>41,574,611</u>	<u>71,708,160</u>	58%	58%	
<u>Income</u>					
Levy Income	(41,210,176)	(70,646,000)	58%	58%	
Interest on Balances	0	(114,100)	0%	0%	Primarily year-end expenditure
	<u>(41,210,176)</u>	<u>(70,760,100)</u>			
Contribution from Reserves	364,436	948,060	58%	58%	

For further information or detail, please contact Marilyn France on 0191 211 6670

## Appendix 2: Tunnels Revenue Budget Monitor for the Period April 2009 to October 2009

Spend to 31st October 2009 (2009/10)

<b>Tyne Tunnels</b>	<u>Spend to 31.10.09</u> £	<u>Original Budget for Year</u> £	<u>Spend as a % of Original Budget</u> %	<u>Notes</u>
<b>TT2 Contract</b>				
Toll Income	(7,510,965)	(13,691,000)		
Payments to TT2	1,471,140.75	2,999,000		
<b>Total</b>	<b>(6,039,824)</b>	<b>(10,692,000)</b>	56%	See paragraph 3.3
<b>Other</b>				
Employee Costs	18,300	30,130	61%	Expenditure on target
Repairs & Maintenance	15,188			Monies relate to Pedestrian & cycle tunnel major maintenance
Other Expenses	24,154	17,600		Budget to be revised to reflect insurance costs
Community Fund	0	10,000	0%	No expenditure In current Year
Commission Costs	339,734	586,060	58%	Expenditure lower than Budgeted.
New Tyne Crossing support services	0	170,810	0%	Year-end expenditure
Financing Charges	1,183,607	2,029,040	58%	Based on estimate
Miscellaneous Income	(12,923)	(4,100)	315%	
Interest on Balances	0	(899,900)	0%	Year-end expenditure
<b>Total</b>	<b>1,568,059</b>	<b>1,939,640</b>	<b>81%</b>	
<b>Net Surplus on Existing Tunnels</b>	<b>(4,471,765)</b>	<b>(8,752,360)</b>	<b>51%</b>	



## Tyne and Wear Integrated Transport Authority Standards and Audit Committee

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**Date: 8 January 2010**

**TITLE: Annual Audit & Inspection letter 2008/9**

**REPORT OF Treasurer and Deputy Clerk to the PTA**

**Not confidential**

**All districts**

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### 1. **Summary / Purpose of Report**

- 1.1 The purpose of this report is to consider the Annual Audit and Inspection letter for 2008/9 which was considered by the PTA at their meeting of the 26 November 2009. The letter is generally positive, giving an unqualified audit opinion and contains a small number of relatively minor recommendations

### 2. **Recommendations**

- 2.1 The Committee is asked to receive this report for information and for comment.

### 3. **Introduction / Background**

- 3.1 The Annual Audit and Inspection letter provides an overall summary of the Audit Commission's assessment of the Authority. It draws on the findings and conclusions from the audit of the Authority and from any inspections undertaken during the year.

The District Auditor gave an unqualified opinion on the Authority's amended financial statements on 25 September 2009. He concluded that the Authority has improved and has appropriate arrangements in place to secure value for money. The Authority has taken agreed an action plan to address the quality assurance arrangements for the financial statements and that members complete their annual declarations of interest on a timely basis to support the disclosures in the financial statements.

The report was considered by the PTA at its meeting on the 26 November 2009

4 **Further comments by the:**

- **Clerk** (if any);
- **Treasurer** (if any);
- **Legal Advisor** (if any);
- **Director General** (if any).

6 **Contact Officer (s)**

6.1 Marilyn France -0191 211 6670



# Annual Audit Letter

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Tyne and Wear Integrated Transport Authority

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Audit 2008/09

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November 2009

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# Contents

<b>Key messages</b>	<b>3</b>
<b>Financial statements and annual governance statement</b>	<b>5</b>
<b>Value for money conclusion</b>	<b>6</b>
<b>Closing remarks</b>	<b>7</b>
<b>Appendix 1 – Value for money conclusion</b>	<b>8</b>
<b>Appendix 2 – Action plan</b>	<b>10</b>

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## Status of our reports

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
- any third party.

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# Key messages

This report summarises the findings from our 2008/09 audit. It includes messages arising from the audit of your financial statements and the results of the work I have undertaken to assess your arrangements to secure value for money in your use of resources.

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## Audit Opinion

- 1 I issued an unqualified opinion on the Authority's amended 2008/9 financial statements.

---

## Financial Statements

- 2 The financial statements presented for audit were free from material error but did contain some minor errors and inconsistencies.

---

## Value for money

- 3 The Authority has improved and has appropriate arrangements in place to secure value for money.

---

## Audit fees

- 4 We agreed additional fees to allow me to review the proposed accounting treatment for the New Tyne Crossing. This was not included in the plan agreed in April 2008.

---

**Table 1     Audit fees**

	<b>Actual</b>	<b>Proposed</b>	<b>Variance</b>
Financial statements and annual governance statement	£39,000	£35,000	£4,000
Value for money	£10,000	£10,000	0
<b>Total audit fees</b>	<b>£49,000</b>	<b>£45,000</b>	<b>£4,000</b>
Non-audit work	-	-	-
<b>Total</b>	<b>£49,000</b>	<b>£45,000</b>	<b>£4,000</b>

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**Actions**

- 5 Recommendations are shown within the body of this report and have been agreed with the audited body.

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**Independence**

- 6 I can confirm the audit has been carried out in accordance with the Audit Commission's policies on integrity, objectivity and independence.

---

# Financial statements and annual governance statement

The Authority's financial statements and annual governance statement are an important means by which the Authority accounts for its stewardship of public funds.

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## Significant issues arising from the audit

- 7 The draft statements (both single-entity and group) contained some errors, inconsistencies and disclosures which were not fully compliant with the SORP. Most of these were minor and all those identified were amended.
- 8 The draft statements contained a prior period adjustment of £573,000 relating to prepaid toll permits. The failure to accrue for this prepayment was highlighted in my report to you last year, as an unadjusted error. As the value is not material, the adjustment should have been accounted for in 2008/09 rather than as a prior period adjustment.

Recommendation
----------------

- |   |
|---|
| <b>R1</b> Review quality assurance arrangements to reduce the number of minor errors and inconsistencies in the financial statements. |
|---|

---

## Material weaknesses in internal control

- 9 I did not identify any significant weaknesses in your internal control arrangements.

---

## Accounting Practice and financial reporting

- 10 I considered the qualitative aspects of your financial reporting.
- 11 Members are required to complete an annual declaration of interests. The latest declarations were made in June or July 2008 and were not updated for the 2008/09 statements.

Recommendation
----------------

- |   |
|---|
| <b>R2</b> The Authority should ensure that members complete their annual declarations of interest on a timely basis to support the disclosures in the financial statements. |
|---|

# Value for money conclusion

I assessed whether the Authority put in place adequate corporate arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the value for money (VFM) conclusion.

## VFM Conclusion

- 12 I assessed your arrangements to secure economy, efficiency and effectiveness in your use of resources against criteria specified by the Audit Commission. From 2008/09, the Audit Commission will specify each year, which of the use of resources KLOE are the relevant criteria for the VFM conclusion at each type of audited body. My conclusions on each of the areas are set out in Appendix 1.
- 13 The economic downturn and banking crisis is having a significant impact on public finances and the bodies that manage them. This impacts on the audit and I have reflected on the wider environment, specific issues and risks and the Authority's response.
- 14 The Authority did not have any investments in Icelandic banks but has nevertheless reviewed its treasury management policies and level of both loans and investments to ensure arrangements remain robust.
- 15 There are continuing challenges to the Authority in delivering services during the financial downturn, which has led to a decline in use of the Tyne Tunnel during 2008/09. Although figures indicate that this has been reversed in the first half of 2009/10 it is not clear whether this trend will be sustained.
- 16 Delivery of the New Tyne Crossing is key to ensuring public transport services meet the needs of and are affordable to users. Robust financial plans are in place to support the required capital programmes.
- 17 Developing the new and extended role of the Integrated Transport Authority will also be important in addressing users' needs. To facilitate this, the Authority has commissioned a detailed review to support its new role, although it has not yet made any significant changes.
- 18 I issued an unqualified conclusion stating that the Authority had adequate arrangements to secure economy, efficiency and effectiveness in its use of resources.
- 19 The Authority has sound arrangements in place which are tailored to the range of its activities. This is an improvement since last year, as the Authority has taken action to improve internal control arrangements to ensure:
  - Internal Audit carries out sufficient work each year to provide adequate assurance to the Authority and to support the annual governance statement; and
  - the core function of an audit committee (monitoring of internal audit) is carried out by a member group throughout the year.
- 20 Details of my assessment are included in Appendix 1.

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# Closing remarks

- 21** I have discussed and agreed this letter with the Deputy Clerk and Treasurer and with the ITA Accountant. I will present this letter to the Authority on 26 November 2009 and will provide copies to all Authority members.
- 22** Further detailed findings, conclusions and recommendations in the areas covered by our audit are included in the reports issued to the Authority during the year.

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**Table 2**

<b>Report</b>	<b>Date issued</b>
Audit Plan	March 2008
Opinion Audit Plan	May 2009
Annual Governance Report	September 2009

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- 23** The Authority has taken a positive and constructive approach to our audit. I wish to thank the Authority's staff for their support and co-operation during the audit.

Steve Nicklin  
District Auditor  
November 2009

# Appendix 1 – Value for money conclusion

The following tables summarises the key findings and conclusions for each of the three use of resources themes.

## Managing finances

<p><b>KLOE 1.1 (financial planning)</b> <b>VFM criterion met</b></p>	<p>Key findings and conclusions</p> <p>The Authority has appropriate arrangements in place. There is little public consultation, but there is consultation on the levy with constituent authorities. There is no formal reserves policy, but there is clear evidence that members approved the earmarked reserve for Metro reinvigoration and increased reserve for the Tyne Tunnel.</p>	<p><b>Yes</b></p>
<p><b>KLOE 1.2 (understanding costs and achieving efficiencies)</b> <b>VFM criterion met</b></p>	<p>Key findings and conclusions</p> <p>The Authority understands its costs and carries out investment appraisals for major projects.</p>	<p><b>Yes</b></p>
<p><b>KLOE 1.3 (financial reporting)</b> <b>VFM criterion met</b></p>	<p>Key findings and conclusions</p> <p>The Authority produces its financial statements in accordance with deadlines and produces a detailed annual report. There is scope to improve the quality of the draft statements, although there were no errors affecting reported performance.</p>	<p><b>Yes</b></p>



## Appendix 1 – Value for money conclusion

### Governing the business

<p><b>KLOE 2.4 (risk management and internal control)</b> <b>VFM criterion met</b></p>	<p><b>Yes</b></p>
<p>Key findings and conclusions</p>	
<p>The Authority strengthened its risk management and arrangements for producing its annual governance statement in 2008/09. Annual declarations of interest were not updated on a timely basis.</p>	

### Managing resources

<p><b>KLOE 3.2 (strategic asset management)</b> <b>Score</b> <b>VFM criterion met</b></p>	<p><b>Yes</b></p>
<p>Key findings and conclusions</p>	
<p>The Authority has a limited number of assets so that whilst it does not have a formal asset management strategy, it does manage its assets to meet its strategic priorities.</p>	

# Appendix 2 – Action plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
	<b>Annual Audit Letter 2008/09 Recommendations</b>					
5	Review quality assurance arrangements to reduce the number of minor errors and inconsistencies in the financial statements.	2	Deputy Clerk and Treasurer	Yes	Quality assurance arrangements had been improved this year. As part of the restructure of the City Treasurers the data quality arrangements will be reviewed and enhanced. Improved linkages between the working papers and the statements.	March 2010
5	The Authority should ensure that members complete their annual declarations of interest on a timely basis.	2	Deputy Clerk and Treasurer	Yes	The work is in hand and will be completed in the next month.	24 September 2009

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# The Audit Commission

The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone.

Our work across local government, health, housing, community safety and fire and rescue services means that we have a unique perspective. We promote value for money for taxpayers, auditing the £200 billion spent by 11,000 local public bodies.

As a force for improvement, we work in partnership to assess local public services and make practical recommendations for promoting a better quality of life for local people.

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## Tyne and Wear Integrated Transport Authority

### Standards and Audit Committee

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**Date:** 08 January 2010

**TITLE:** Internal Audit Progress Report

**REPORT OF** Interim Chief Internal Auditor

**Reasons for confidentiality – N/A**

**District Implications - All**

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#### 1. Summary / Purpose of Report

1.1 The CIPFA Internal Audit Code of Practice 2006 requires Internal Audit to regularly monitor its performance against the Annual Audit Plan and to report progress during the year to Standards and Audit Committee. The Code also requires Internal Audit to report to Committee on the implementation of recommendations. This report satisfies these requirements by providing the following information:

- (i) A statement of progress against the Annual Internal Audit Plan 2009/10;
- (ii) The position on the implementation of audit recommendations.

#### 2. Recommendations

Standards and Audit Committee is recommended to note:

- progress against the 2009/10 Audit Plan, and;
- the position on the implementation of audit recommendations.

### 3. Introduction / Background

3.1 This report shows Internal Audit activity since the last Audit Committee meeting (September 2009) and summarises the following:

Details	Assessment	Comments
Progress against the Annual Audit Plan 2009/10 (see 4.1-4.3)	Satisfactory	<ul style="list-style-type: none"><li>One final audit report issued.</li><li>Two audits in progress.</li><li>Two audits at the planning stage</li></ul>
Management implementation of recommendations (see 4.4)	Satisfactory	1 outstanding recommendation from 2008/09.
Implemented recommendations verified by Internal Audit (see 4.4)	Good	No matters arising.
Internal Audit Performance Indicators	Some weaknesses	The stated performance indicators are not being met in 3 out of 5 areas.

### 4. Information

#### 4.1 Progress against the 2009/10 Audit Plan

Audit	Status
Risk Management	Final report issued
Corporate Governance	Planning stage
Tolls Income	Work in progress
Payments to the Concessionaire	Work in progress
Capital Payments	Planning stage

Appendix I to this report summarises the work undertaken on the above audits together with our findings and recommendations. Appendix II explains how Internal Audit prioritises each recommendation and how we arrive at the overall assessment for each audit.

#### 4.2 Update on work in the planning stage – Corporate Governance audit

At the time of preparing the audit plan for 2009/10 the Tyne and Wear City Region Transport Governance Review was being undertaken and it was not known if or how the outcomes of this review would impact upon the governance arrangements for TWITA. As a result it was decided to delay the Corporate Governance audit until the review was completed and assess whether or not

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audit work was necessary in this area.

This review is now in its final stages, with a report setting out recommendations for changes to transport governance arrangements to be considered by the City Region Executive Board in January 2010. The review sets out mechanisms for improved co-ordination of strategies, policies and programmes and stronger links to wider public policy agendas at the City Region level and strengthens the role of the ITA. The ITA has already established new Working Groups to help discharge its wider remit, resulting from the Local Transport Act 2008. It is not felt that this will have any significant impact upon the governance structures or arrangements in the immediate future.

As such it is not felt necessary to undertake any specific audit work in respect of changes to governance arrangements within TWITA resulting from the Tyne and Wear City Region Transport Governance Review.

Discussions have been held with the Strategic Risk Manager to discuss and identify an appropriate coverage and scope for the Corporate Governance audit. It has been agreed that the audit will now focus on the arrangements in place for monitoring and reviewing the Annual Governance Statement and addressing issues arising from the preparation of the statement.

#### **4.3 Update on work in the planning stage – Capital Payments audit**

This audit will be concluded in quarter 4 of the audit year. The reason behind the timing being that TWITA will not make any significant capital payments until the quarter 4 of the financial year.

#### **4.4 Recommendations Follow Up**

- 4.4.1 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.
- 4.4.2 There were a total of 7 medium priority recommendations raised as a result of audits completed in the 2008/09 audit plan. 6 out of the 7 recommendations have been implemented and implementation has been verified by Internal Audit.
- 4.4.3 The 1 outstanding recommendation relates to the need for a new partnership agreement covering the provision of fund management services by the ITA on behalf of Nexus. The draft agreement is being reviewed by Newcastle City Council Legal Services and there are only minor points to resolve before the partnership agreement can be issued.
- 4.4.4 There has been one audit completed for the 2009/10 audit plan which resulted in one medium priority recommendation (see Appendix I). The recommendation was made that the New Tyne Crossing Project Board should receive and review

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the summary risk register for the project at each meeting to comply with project management best practice. However, following discussions at its November meeting the Project Board felt that this was onerous and agreed to continue with the existing arrangements whereby the New Tyne Crossing Project Director prepares a traffic light report and determines the risks the Project Board should be informed of.

## 5 Internal Audit Performance Indicators

IA has a number of internal performance indicators which measure both productivity and work quality. The table below shows the indicators used and our performance in 2009/10 to date. This information will continue to be reported to each meeting of Audit Committee. (The figures shown in brackets represent the number of audits to which the performance indicator relates).

Description	Target	Actual
Assignments for which Terms of Reference issued not less than 20 days before the start of fieldwork (3)	>95%	67%
Average variance of time spent per assignment over budget (1)	<10%	47%
Average number of working days to issue draft reports after end of fieldwork (1)	<8	6
Average number of working days to finalise reports after issue of the draft report (1)	<20	69
Percentage of Internal Audit recommendations followed up (1)	100% High	N/A
	100% Medium	100% Medium
Satisfaction Surveys: Issued (1)	100%	100%
Returned (0)	100%	0%
Average Score (Maximum 5)	4	N/A

### 5.1 Issuing Terms of Reference

Internal Audit have issued terms of reference for 3 audits to date. 2 out of 3 terms of reference were issued more than 20 days prior to the start of fieldwork. For the remaining audit the terms of reference was issued 13 days prior to the start of fieldwork. It was felt appropriate to take the available opportunity to

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commence work promptly following issue of the terms of for this audit to fit around the leave arrangements of officers involved in the process.

**5.2 Average variance of time spent per assignment over budget**

Each individual audit within the plan has an allocation of 6 days. The one completed audit for the year took 8.8 days to complete. Given the relatively small time allocation the reported percentage of time variance appears high even where there is only a small overrun.

**5.3 Average number of working days to finalise reports after issue of the draft report**

The reported performance figures relate to the New Tyne Crossing Risk Management audit where the draft report was issued in September 2009. However, officers felt it would be appropriate for the New Tyne Crossing Project Board to review the report and determine an appropriate response. The final report was issued in December 2009 following the receipt of the Project Board minutes confirming the outcomes of their discussions around the recommendation raised.

**6. TWITA reliance on NCC fundamental financial systems**

TWITA utilise a number of NCC's fundamental financial systems which are subject to annual review by Internal Audit. Whilst reliance is placed upon the controls in place for NCC's transactions it is also necessary to undertake sample testing to confirm these controls are operating effectively for TWITA transactions.

For 2009/10 a sample of TWITA transactions will be reviewed for four fundamental financial systems, i.e. main accounting, creditors, payroll, capital accounting and treasury management. Where appropriate transactions are identified these will be subject to sample testing which will be over and above those transactions tested for NCC. These sample sizes are as follows:

<b>Frequency of control</b>	<b>Sample size</b>
Annual	1
Quarterly	1
Monthly	1
Weekly	2
Daily	5

In addition to the reliance upon fundamental financial systems there is also a specific audit in the 2009/10 audit plan to review the arrangements around capital payments made by TWITA.

**7. Further comments by the:**

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- **Clerk** (none);
- **Treasurer** – the Treasurer has seen this report and is satisfied with its contents
- **Legal Advisor** (none);
- **Director General** (none).

**8 Background Papers**

Internal Audit Plan 2009/10

**9 Contact Officer (s)**

Peter Taylor – Interim Chief Internal Auditor – telephone 0191 2116511

Ian Pattison – Acting Principal Auditor – telephone 0191 2116513

Summary of completed audits – September 2009 to December 2009

Audit Work	Audit coverage	Assessment	Recommendations			Status
			High	Medium	Low	
New Tyne Crossing - Risk Management	To assess the adequacy of risk management arrangements for the New Tyne Crossing project.	Satisfactory	0	1	0	Audit complete.
<b>Good Practice Identified</b>						
<ul style="list-style-type: none"> <li>✓ Well established hierarchy of risk registers for the project resulting in a summary risk register;</li> <li>✓ Risks are a standing agenda item at the Project Team's weekly meetings;</li> <li>✓ Controls and actions are reviewed on a regular basis via the weekly team meetings.</li> </ul>	<p><b>Main Areas for Development</b></p> <ul style="list-style-type: none"> <li>• The New Tyne Crossing Project Board should receive and review the summary project risk register at each meeting to comply with the Newcastle Programme and Project Management Framework (medium priority). The Project Board elected not to receive the full risk register at each meeting but to continue to receive a traffic light report from the Project Director.</li> </ul>					

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# Definitions for Individual Findings and Recommendations Ratings

**It is for management to accept and implement internal audit findings and recommendations, or accept the risk resulting from not taking action (CIPFA Code of Practice for Internal Audit in Local Government).**

We have recorded our findings on an exception basis in the sections below. Each finding has been allocated a priority rating (as explained below) and action to be taken has been agreed with management.

<p><b>High Priority:</b> Issues arising referring to important matters that are fundamental and material to the organisation's system of internal control. We believe that the matters observed might cause a system objective not to be met or leave a risk unmitigated and need to be addressed as a matter of urgency.</p>
<p><b>Medium Priority:</b> Issues arising referring mainly to issues that have an important effect on the organisation's controls but do not require immediate action. A system objective may still be met in full or in part or a risk adequately mitigated but the weakness represents a significant deficiency in the system.</p>
<p><b>Low Priority:</b> Issues arising that would, if corrected, improve the organisation's internal control in general but are not vital to the overall system of internal control.</p>

# Definitions for Overall Report Rating

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The following definitions are used to provide an overall opinion for the area under review. The opinion is based on the work carried out in the audit, including a review of selected transactions. Our work should not be relied upon to disclose all weaknesses that may exist. The opinion given, therefore, is not a guarantee that all aspects of the systems reviewed are adequate and effective.

**Good** – There is an adequate and effective system of risk management, control and governance to address the risk that objectives are not met.

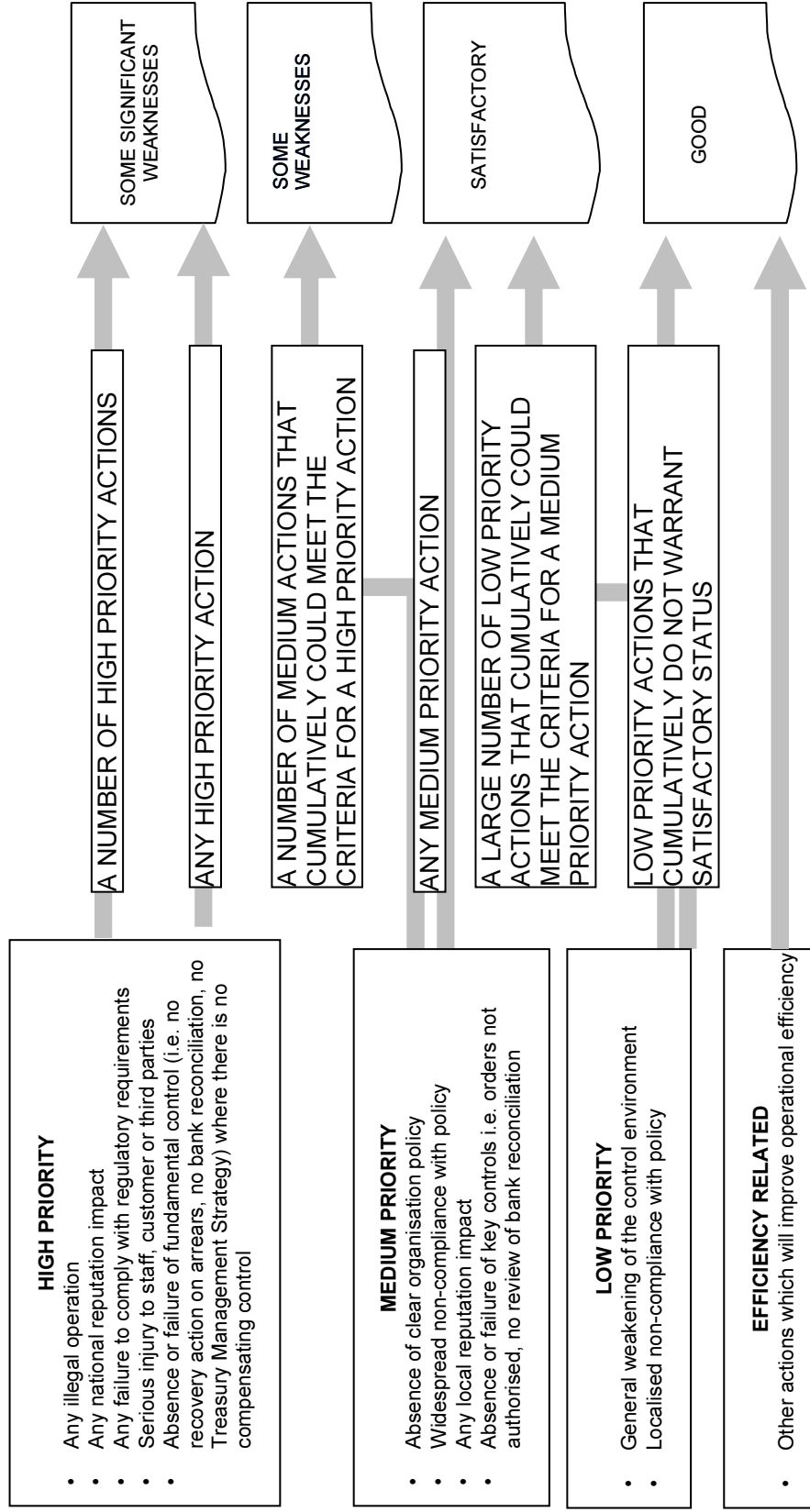
**Satisfactory** – There is a medium risk that the system will fail to meet its objectives. Slight improvements are required in these areas to increase the adequacy and effectiveness of risk management, control and governance.

**Some Weaknesses** – Improvements are required in a number of areas to increase the adequacy and effectiveness of risk management, control and governance and ensure objectives are met. The Clerk to the PTA should, taking into account the corporate impact, consider whether this assessment should be included in his/her annual assurance statement, together with any actions agreed and/or taken to improve the system.

**Some Significant Weaknesses** – There is a real and substantial risk that the system will fail to meet its objectives. Immediate significant improvements are required to increase the adequacy and effectiveness of risk management, control and governance. The Clerk to the PTA would be expected to refer to this assessment in his/her annual assurance statement, taking into account the corporate impact, and state any actions agreed and/or taken to improve the system.

# Definitions for Overall Report Rating

Each audit report includes an overall assessment of the area being reviewed. The assessment is determined by the type and number of control issues identified using the frameworks below as guidance.



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## Tyne and Wear Integrated Transport Authority Standards and Audit Committee

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**DATE:** 8 January 2010

**TITLE:** External Audit Progress Report

**REPORT OF** Deputy Clerk and Treasurer.

**Reasons for confidentiality (if confidential)** – Not applicable

**District Implications** - All

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### 1. **Summary / Purpose of Report**

1.1 This report and appendix provides Standard and Audit Committee with an overview of the latest position on the delivery of the key aspects of the ITA's external audit and inspection programmes for 2009/10

### 2. **Recommendations**

2.1 Standards and Audit Committee is requested to consider and approve the Audit Commission's Audit Progress report which is attached.

### 3. **Introduction / Background**

#### 3.1 **2008/9 Audit Plan.**

The audit has been completed as outlined in the plan

#### 3.2 **2009/10 Audit Plan**

The Audit Commission will agree a detailed opinion plan in the next few months once they have updated their risk assessment Appendix 2 contains a progress report listing work to be carried out as part of the 2009/10 audit plan and monitoring progress on the delivery of that work.

#### 3.3 **Other developments including publications**

The Audit Commission has now appointed Deloitte as the external auditor from 2010/11 onwards. They remain the auditor for 2009/10. The majority of their

work will be complete by the end of September 2010.

The attached report provides a brief summary of the key messages arising from national reports that have been published by the Audit Commission that are relevant to the Committee's role within the ITA. The reports are available from the Audit Commission website at <http://www.audit-commission.gov.uk>

4 **Next Steps**

4.1 Not applicable

5. **Further comments by the:**

- **Clerk** (none);
- **Treasurer** –
- **Legal Advisor** –
- **Director General** (none).

6 **Background Papers**

6.1 Held by Audit Manager (Audit Commission)

7 **Contact Officer (s)**

7.1 James Dafter , Audit Manager - 0844 7981622 (Audit Commission)

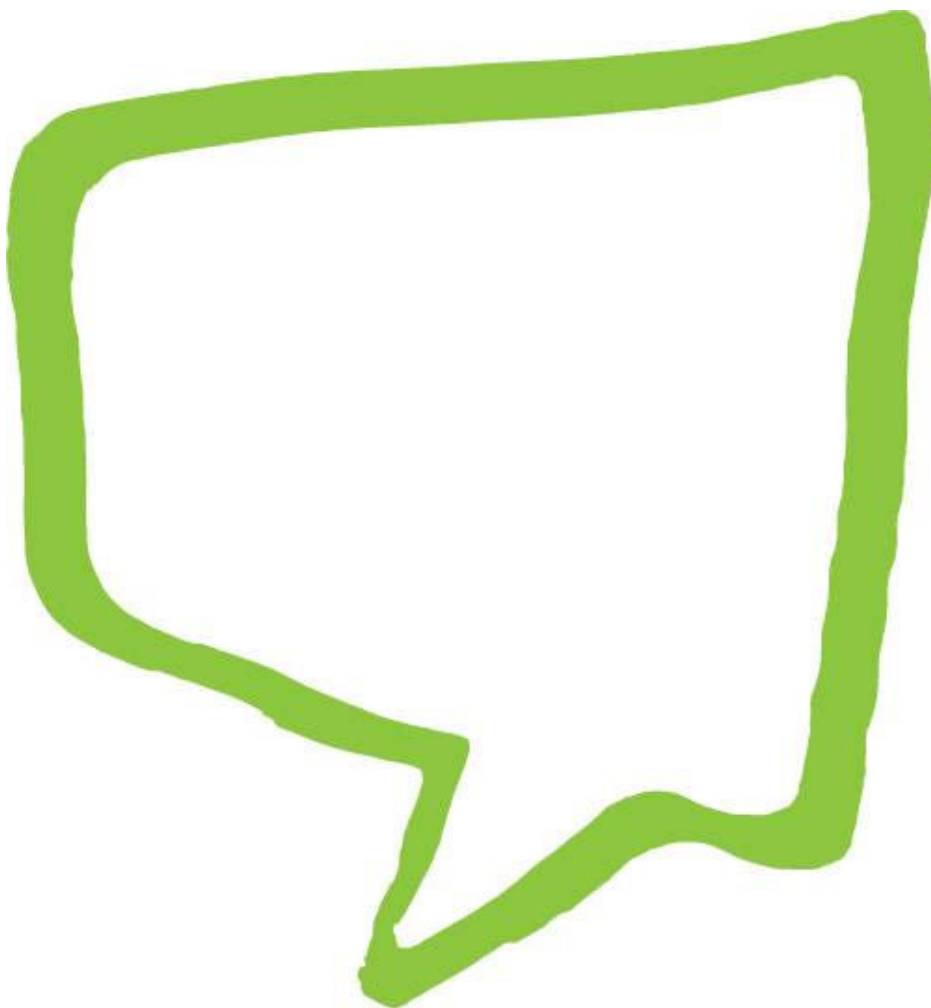
# Audit Progress Report

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Tyne And Wear Integrated Transport Authority  
December 2009

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# Contents

<b>Introduction</b>	<b>3</b>
<b>2008/09 Audit Plan</b>	<b>4</b>
<b>2009/10 Audit Plan</b>	<b>5</b>
<b>Other developments including national publications</b>	<b>6</b>
<b>Appendix 1 – 2008/09 audit update</b>	<b>7</b>
<b>Appendix 2 – 2009/10 audit update</b>	<b>9</b>

# Introduction

- 1 This report is to inform Standards and Audit Committee of progress on the audit since the last meeting in September 2009. It also informs the Committee of other matters of interest concerning the Audit Commission.
- 2 This report reflects progress on the 2008/09 and 2009/10 audits as at 30 November 2009. We will give a verbal update on any issues arising between that date and the meeting.

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# 2008/09 Audit Plan

- 3 The 2008/09 Audit Plan was reported to the Committee on 25 April 2008, with additional report to June Committee on specific risks in respect of the financial statements.
- 4 We have completed the audit as outlined in those reports. Appendix 1 provides details of progress against the agreed plan.

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## Challenge

- 5 Members of the public have a right to contact the auditors, and to make objections to the financial statements (during specified periods). We have not been contacted by any member of the public so far this year. The opportunity to object remained open until the District Auditor gave his opinion on the financial statements at the end of September 2009. We did not receive any objections.

## 2009/10 Audit Plan

- 6 We discussed and agreed our high level plan with the Treasurer and with the Committee at its June meeting. Following that meeting, we reissued the Plan to correct an error in the 2008/9 comparative fee highlighted by members.
- 7 We will agree a detailed opinion plan in the next few months once we have updated our risk assessment. Appendix 2 contains a progress report listing work to be carried out as part of the 2009/10 audit plan and monitoring progress on the delivery of that work.

# Other developments including national publications

- 8 The Audit Commission has now appointed Deloitte as the external auditor from 2010/11 onwards. We remain the auditor for 2009/10. The majority of our work will be complete by the end of September 2010.
- 9 The Audit Commission has issued a number of national reports of general interest in the last three months. The following reports may be of particular interest to Committee members:

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## Protecting the public purse

- 10 This report considers the key fraud risks and pressures facing public bodies and identifies good practice in fighting fraud. The report provides an overview of the threats of fraud facing public bodies. It calls on them to urgently reassess their counter fraud plans and to ensure that staff understand, and have faith in, whistle-blowing arrangements.

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## Lofty ambitions

- 11 Although this report concerns the role of councils in reducing domestic CO2 emissions, the subject is relevant to the ITA. The report examines and reports on the progress made by councils to cut emissions in their areas. It gives practical examples to show councils how they can tackle emissions and at the same time help to reduce fuel poverty. The report also considers how councils can achieve improvements in value for money from their actions to reduce CO2.

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## Nothing but the truth

- 12 This is a discussion paper drawing attention to the accuracy and reliability of the data underpinning local service delivery. The paper sets out important issues as the basis for discussion on how to ensure data about local public services is fit for purpose. It asks if citizens, along with frontline staff, managers, politicians, central government and local public service regulators, can have confidence in the data they rely on. And if not, what needs to be done about it?



# Appendix 1 – 2008/09 audit update

**Table 1 Position as at 30 November 2009**

<b>Audit topic</b>	<b>Completion target</b>	<b>Current position</b>	<b>To Standards and Audit Committee</b>
<b>Opinion</b>			
Triennial Review of Internal Audit	April 2009	Work is complete and the results included in the progress report to June 2009 Standards and Audit Committee.	June 2009
Interim work	June 2009	Work complete	September 2009 (annual governance report)
Post-statements work	September 2009	Risk assessment updated and opinion plan issued May 2009. Work complete	September 2009 (annual governance report)
Whole of Government Accounts	September 2009	Work complete	September 2009 (annual governance report)
<b>Use of Resources (Value for money conclusion)</b>			
Value for Money Conclusion: Note the following risks were identified in the Audit Plan: <ul style="list-style-type: none"> <li>● Local Transport Bill</li> <li>● New Tyne Crossing contract compliance</li> <li>● Funding for new</li> </ul>	September 2009	Work complete. June progress report informed the Standards and Audit Committee of changes to the VFM conclusion for 2008/09.	September 2009 (annual governance report)

Audit topic	Completion target	Current position	To Standards and Audit Committee
concessionary travel scheme <ul style="list-style-type: none"> <li>• Metro reinvigoration governance arrangements</li> <li>• Annual governance statement</li> <li>• Effectiveness of Standards and Audit Committee</li> </ul>			
Annual audit letter	November 2009	Presented to November ITA meeting.	N/A
Certification of Claims and Returns			
Grants claims	December 2009	We do not anticipate any claims requiring audit in 2008/09	N/A

# Appendix 2 – 2009/10 audit update

**Table 2 Position as at 30 November 2009**

<b>Audit topic</b>	<b>Completion target</b>	<b>Current position</b>	<b>To Standards and Audit Committee</b>
<b>Opinion</b>			
Interim work	June 2010	Work currently being planned and detailed testing will be carried out January to May 2010.	September 2010 (annual governance report)
Post-statements work	September 2010	Risk assessment currently being updated and opinion plan will be issued May 2010.	September 2010 (annual governance report)
Whole of Government Accounts	September 2010	To be completed in conjunction with post-statement work.	September 2010 (annual governance report)
<b>Use of Resources (Value for money conclusion)</b>			
Value for Money Conclusion: Note the following risk was identified in the Audit Plan: The Authority has commissioned a review of governance arrangements to support the wider powers and responsibilities available since it became an integrated transport authority. Potentially, existing arrangements could radically change. The Authority could	September 2010	We will address the risk identified through a review of current arrangements as part of the overall VfM conclusion.	September 2010 (annual governance report)

<b>Audit topic</b>	<b>Completion target</b>	<b>Current position</b>	<b>To Standards and Audit Committee</b>
fail to deliver its objectives during any period of change, and could fail to take the opportunity of the new powers to improve services.			
Annual audit letter	November 2010		December 2010
<b>Certification of Claims and Returns</b>			
Grants claims	December 2010	We do not anticipate any claims requiring audit in 2009/10	N/A

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# The Audit Commission

The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone.

Our work across local government, health, housing, community safety and fire and rescue services means that we have a unique perspective. We promote value for money for taxpayers, auditing the £200 billion spent by 11,000 local public bodies.

As a force for improvement, we work in partnership to assess local public services and make practical recommendations for promoting a better quality of life for local people.

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## Copies of this report

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