

## **REPORT FOR RESOLUTION**

SUBJECT: INTERNAL AUDIT ASSURANCE STATEMENT  
2010/11

REPORT OF: THE LEAD OFFICER

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### **PURPOSE OF REPORT**

To present the Internal Audit Assurance Statement for 2010/11

### **RECOMMENDATIONS**

- [i] To note the Internal Audit Assurance Statement for 2010/11 (Appendix 1)
- [ii] To review the internal audit plan for 2011/12 in the light of this statement at the January 2012 meeting.
- [iii] To note the Internal Audit Report concerning the Recharge Mechanism (Appendix 2)

### **FINANCIAL CONSEQUENCES FOR THE REVENUE BUDGET**

The Joint Committee approves the internal audit plan in January each year.

**CONTACT:** Louise Hutchinson, Head of Service, PATROL, Barlow House,  
Minshull Street, Manchester M1 3DZ

**BUS LANE ADJUDICATION SERVICE  
JOINT COMMITTEE  
28<sup>TH</sup> JUNE 2011  
Item 9 Appendix 1**

# **Internal Audit Report**

**Bus Lane Adjudication Service Joint Committee (BLASJC)  
Assurance Statement 2010/11**

**Tom Powell  
Corporate Services**

### Circulation List

Business Owner:
Louise Hutchinson, Head of Service (Patrol)
Additional Report Distribution:
Sir Howard Bernstein, Chief Executive
Richard Paver, City Treasurer
Caroline Shephard, Chief Adjudicator
Louise Nyland, BDO Stoy Hayward

### Audit Team

Name	Contact Details
Helen Smith, Lead Auditor	814 5238
Kathryn Fyfe, Principal Audit Manager	814 5271
Tom Powell, Head of Internal Audit and Risk Management	814 5273

### Report Status

Activity	Date
Fieldwork Commenced	3 June 2011
Draft Report Issued	15 June 2011
Final Report Issued	15 June 2011

## **1 Internal Audit Function**

- 1.1 As Lead Authority, Manchester City Council has delivered the Bus Lane Adjudication Service Joint Committee (BLASJC) and PATROL Adjudication Joint Committee (PATROL AJC)'s internal audit service since 2007 and provides an independent opinion on the adequacy and effectiveness of internal control systems. The Council's Head of Internal Audit and Risk Management agrees the annual audit plan with, and reports to, the Joint Committee and its Head of Service, and has access to all officers and Members.
- 1.2 The purpose of this assurance statement is to explain the work of Internal Audit in examining, evaluating and reporting on the BLASJC's internal controls and represents Internal Audit's opinion on their overall adequacy.
- 1.3 In assessing the level of assurance Internal Audit took into account the planned and agreed audit activity for the financial period 1 April 2010 to 31 March 2011.
- 1.4 Whilst we fully acknowledge that there is a separate Joint Committee for Bus Lanes it does share a number of systems and processes with PATROL. As a consequence we consider that Internal Audit work relating to PATROL can be used as a reasonable source of assurance.

## **2 Overview of Audit Activity**

- 2.1 Internal Audit's activity in relation to the BLASJC for the year to 31 March 2011 included an audit of the bus lane recharge mechanism.
- 2.2 Internal Audit has also reviewed the adequacy and effectiveness of the financial controls, risk management arrangements and management information to inform Section 4 of the Audit Commission Small Bodies in England Annual Return for the year ended 31 March 2011.
- 2.3 Other sources of audit assurance for 2010/11 related to the planned activity completed for PATROL AJC, namely:
  - Core Financial Systems;
  - Risk Management Framework (Follow Up of External Audit work); and
  - Follow Up Audit.

## **3 Statement of Assurance**

- 3.1 On the basis of the audit activity conducted Internal Audit can provide the following assurance in respect of the audits carried out.
- 3.2 *Bus Lane Recharge Mechanism*  
We provided substantial assurance over the recharge mechanism in place. We were satisfied that sufficient records had been retained to

document the decision making process and an audit trail was in place to evidence the basis of apportionment.

**3.3 *Section 4 Small Bodies in England Annual Return***

In our opinion the BLASJC has achieved a satisfactory standard with regard to all nine control objectives examined. Our work did not include a review of the accounting statements and related records supporting the final accounts under control objective J. We did not consider this to be a key risk or indeed a function that should be discharged through Internal Audit. An opinion on the year end accounts is provided by the appointed external auditor and we consider that any detailed testing of the accounts to support this opinion remains their responsibility.

**3.4 *PATROL - Core Financial Systems***

Overall we were able to provide moderate assurance over the effectiveness of controls and management arrangements in place in relation to the budget setting, monitoring and processing of payroll.

**3.5 *PATROL - Risk Management Framework (Follow up of External Audit work)***

We were satisfied developments had been made to address the recommendations made by External Audit and work has continued into 2011/12 to embed risk management within the Tribunal Service.

**3.6 *PATROL - Follow Up Audit***

In January 2011 we reported management had taken positive action to fully address three and partially address the remaining three recommendations from the Financial Management System audit completed during 2009/10. As a result of this we provided a moderate assurance opinion. Work towards full implementation has continued into 2011/12 and this area will be examined again later in the year.

**3.7 *Annual Governance Statement***

Based on the evidence provided and audit activity undertaken during the year together with the work undertaken to inform Section 4 of the Audit Commission Small Bodies in England Annual Return we supported the disclosures and assertion made in the BLASJC annual governance statement.

**4 *Planned Audit Activity***

4.1 The initial plan for 2011/12 replicates that for 2010/11 in respect of an allocation of 8 days to complete Section 4 the Audit Commission's Small Bodies in England Annual Return.

4.2 The audit opinion will continue to be reported to the Head of Service and BLASJC Members by the Head of Internal Audit and Risk Management.

**Bus Lane Adjudication Service**

**28<sup>th</sup> June 2011**

**Item 9 Appendix 2**

# **Internal Audit Report**

**PATROL – Bus Lane Recharge Mechanism**

**Tom Powell  
Corporate Services**

### Circulation List

Business Owner:
Louise Hutchinson, Head of Service (Patrol)
Additional Report Distribution:
Jason Dobson, Finance Manager (Patrol)
Sir Howard Bernstein, Chief Executive
Richard Paver, City Treasurer
Caroline Shephard, Chief Adjudicator
Louise Nyland, BDO Stoy Hayward

### Audit Team

Name	Contact Details
Helen Smith, Lead Auditor	814 5238
Kathryn Fyfe, Principal Audit Manager	814 5271
Tom Powell, Head of Internal Audit and Risk Management	814 5273

### Report Status

Activity	Date
Fieldwork Commenced	9 May 2011
Draft Report Issued	15 June 2011
Management Responses Requested by	17 June 2011
Management Responses Received	15 June 2011
Final Report Issued	15 June 2011

## **1 Introduction**

- 1.1 This report summarises the findings and conclusion from review of the Bus Lane Recharge Mechanism for the Bus Lane Adjudication Service Joint Committee (BLASJC).

## **2 Background**

- 2.1 The Traffic Penalty Tribunal is an independent tribunal where impartial lawyers consider appeals by motorists and vehicle owners whose vehicles have been issued with:
- Penalty Charge Notices (or have been removed or clamped) by councils in England and Wales enforcing parking under the Road Traffic Act 1991 and the Traffic Management Act 2004.
  - Penalty Charge Notices by councils in England undertaking civil bus lane enforcement under the Bus Lane Contraventions (Penalty Charges, Adjudication and Enforcement) (England) Regulations (2005 SI No 2757).
- 2.2 Under the above legislation and regulations, Councils operating civil parking and bus lane enforcement functions are responsible for defraying expenses in relation to the remunerations of the Adjudicators of the Traffic Penalty Tribunal. The Enforcement Authorities are required to carry out this function through a Joint Committee which they are required to set up for this and related purposes. The PATROL Adjudication Joint Committee (PATROLAJC) and BLASJC perform this function. In accordance with legislation and regulations, the constituent authorities of each Committee defray expenses in such a proportion as they may decide.
- 2.3 Whilst there is a separate Joint Committee for the Bus Lane Adjudication Service it does share a number of systems and processes with the PATROL AJC. As a result of this an annual recharge is made to the Bus Lane ASJC.
- 2.4 The BLASJC approved planned audit work for 2010/11 at its September meeting. This plan included an allocation of days to review recharge mechanism for bus lanes.

## **3 Scope, Objective and Approach**

- 3.1 To provide assurance over the mechanism used for calculating the bus lane recharge.

## **4 Findings**

- 4.1 Discussions with the Head of Service and Finance Manager confirmed the previous basis for apportioning charges to the Bus Lanes ASJC had been in place for a number of years. Management had therefore considered it was good practice to review the basis for the calculations to ensure it provided a fair and representative amount.
- 4.2 We support the approach taken by management and decision to apportion costs on the basis of the total number of bus lane appeals received. This appeared the most logical and cost effective method. We confirmed a transparent audit trail was



available using the Appeal and Information Management System (AIMS) to evidence the number of appeals made to the service.

- 4.3 The Monitoring of Revenue Account report submitted to the BLASJC in January 2011 confirmed the recharge mechanism had been reviewed. However, neither the report nor minutes from the meeting specified the method for calculating the recharge or identified the changes made. As the recharge constitutes a considerable proportion of the expenditure incurred by the BLASJC it is our opinion further detail should have been presented to Members for information.

## **5 Conclusion**






- 5.1 Overall we are able to provide substantial assurance over the mechanism used for calculating the bus lane recharge. Supporting records had been maintained to evidence the method of calculation and changes made from previous years. A clear audit trail had been maintained to support the calculation and recharge made in respect of 2010/11. A recommendation has been made aimed at providing Members with further information in relation to the changes made and this has been included within Appendix 1.

## Appendix 1. Detailed Findings Recommendations and Action Plan

	Matters Arising	Potential Risk Implications	Recommendations	Risk	Management Response and agreed actions
<b>Objective: To provide assurance over the mechanism used for calculating the bus lane recharge.</b>					
1	<p>Whilst a report was presented to the Joint Committee in January 2011 informing Members the recharge mechanism had been reviewed and amended, no detail was provided as to what changes had been made.</p> <p>As the recharge represents a large proportion of the annual expenditure within the BLASJC accounts, it is our opinion Members should have received further details such as clarification on the potential impact of changes, benefits and reasons for the change.</p>	<p>The absence of further details relating to the bus lane recharge calculation limits Members opportunity to effectively challenge and contribute to the decision making process.</p>	<p>The Head of Service should ensure that details of the changes made to bus lane recharge calculations along with a review period are reported to Members for information.</p>	<p>● Moderate (Compliance)</p>	<p><b>Agreed: Yes</b> <b>Action to be taken:</b> A report will be submitted to the BLASJC meeting in June 2011. <b>Additional Resources Required for implementation: No</b> <b>Responsible Officer:</b> Head of Service <b>Target Date:</b> June 2011</p>

## Appendix 2. Basis of our opinion and level of assurance

Risk Type	Description
<b>Control</b>	There are areas for development and improvement in the design of the system of internal control.
<b>Compliance</b>	There is need to improve compliance with the existing system of internal control, processes or procedures

Risk	Assessment rationale
 E. Critical	Life threatening / multiple serious injuries or prolonged work place stress. Severe impact on morale and service performance. Intense political and media scrutiny i.e. national media coverage / prolonged local media coverage. Possible criminal, or high profile, civil action. Cessation of core activities, Strategies not consistent with government's agenda, trends show service is degraded. Failure of major Projects. Large increase on project budget/cost: (more than <b>15 to 30%</b> of the service budget). Statutory intervention triggered.
 D. Major	Serious injuries or stress requiring medical treatment with many workdays lost. Major impact on morale and performance. Scrutiny required by external agencies, external audit etc. Unfavourable national or prolonged local external media coverage. Noticeable impact on public opinion. Major impact on the effectiveness of governance for Patrol. Significant disruption of core activities / performance. Key targets missed, some services compromised. Senior Management action required. Major increase on project budget/cost: (more than <b>6 to 15%</b> of the service budget).
 C. Significant	Injuries or stress requiring some medical treatment with workdays lost. Some impact on morale and performance. Scrutiny likely to be exercised by external agencies, internal committees or internal audit to prevent escalation. Probable limited unfavourable local media coverage. Significant short-term disruption of service performance. Financial Regulations not complied with. Impact on the effectiveness of governance at the Service level. Significant increase on project budget/cost: (more than <b>3 to 6%</b> of the departmental budget). Handled within the team.
 B. Moderate	Injuries / stress requiring some medical treatment, potentially some workdays lost. Some impact on morale and performance. Additional scrutiny required by management and internal committees to prevent escalation. Possible limited unfavourable local media coverage. Short-term disruption of service performance. Financial Regulations occasionally not complied with. Minor impact on the effectiveness of governance or moderate impact at service level. Small increase on project budget/cost: (up to <b>3%</b> of the departmental budget). Handled within the team.
 A. Minor	Minor injuries or stress with no workdays lost or minimal medical treatment. No impact on staff morale Internal Review, unlikely to have impact on the corporate image. Minor errors in systems/operations or processes requiring action or minor delay without impact on overall schedule. Handled within normal day to day routines. Some impact on the effectiveness of governance at service level. Minimal financial loss – Minimal effect on project budget/cost: Negligible effect on total Budget or departmental budget).